national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Press release: local government adopted operating and capital budgets for 2015/16 MTREF

The National Treasury has today published, on its website the operating and capital budgets of municipalities as adopted by their respective councils. These budgets give an overview of expected revenue and expenditure trends in local government over the next three years, referred to as the 2015/16 Medium Term Revenue and Expenditure framework (MTREF). The revenue and expenditure numbers are aggregated from the annual budgets that municipal managers are legally required to submit to the National Treasury and the relevant provincial treasury.

The published information is presented in a variety of ways, including aggregated municipal budget totals for the 2015/16 financial year and over the medium term period, information per category of municipality and information per province. Highlights include:

- *In aggregate, budgeted revenue for 2015/16 is R345 billion, which is expected to increase to R366 billion in 2016/17 and R392 billion in 2017/18.*

- *Total municipal expenditure in 2015/16 is estimated to be R373 billion, increasing to R392.6 billion in 2016/17 and R416.3 billion in 2017/18. Expenditure for 2015/16 is 10.9 per cent higher than the 2014/15 MTREF.*

- *In the 2015/16 financial year, a net deficit of R1.9 billion is expected, a position that remains in deficit of R1.5 billion and R769 million respectively in the two outer years of the MTREF period.*

- *Municipal operating expenditure on the trading services consisting of water, electricity, waste water management and waste management is budgeted to increase from R141 billion in 2014/15 to R159 billion in 2015/16. In 2015/16 this equates to just over half the total operating expenditure of municipalities.*

- *Bulk purchases of electricity and water total R86.5 billion of the aggregated operating expenditure of R304.3 billion or 28.4 per cent. Bulk purchases are expected to grow to R105.5 billion by 2017/18 representing 30.1 per cent of total operating expenditure; bulk purchase of electricity from Eskom is a significant contributing factor to this growth.*

- *Reporting on operational repairs and maintenance figures has been institutionalised as part of Section 71 in-year reporting. R23.1 billion will be allocated in 2015/16 to repairs and maintenance of assets from operating expenditure. This will increase to R24.7 billion in 2016/17 and R26.7 billion in 2017/18.*

- *Capital expenditure has increased by 6.9 per cent compared to the 2014/15 MTREF. Of the overall budget of municipalities, capital expenditure in aggregate represents 17.9 per cent in 2015/16, 16.8 per cent in 2016/17 and 15.5 per cent in 2017/18.*

- *Total capital expenditure for 2015/16 is R66.9 billion and comprises R27 billion for trading services (electricity, water, waste water management and waste management). Expenditure on the four trading services will decrease to R25.2 billion and R25 billion in the outer years of the MTREF.*

- *The 2015/16 capital budget reflects a R36.3 billion investment in new infrastructure which is 60.4 per cent of the total capital budget. Investment in the renewal of existing assets will be approximately R23.8 billion or 39.6 per cent of the capital budget.*

The National Treasury publishes local government MTREF information on an annual basis. Regularly published budget information enables communities to hold their municipal councils to account. Information is also used by National Treasury as the basis for the In-year Management, Monitoring and Reporting System for Local Government. The Section 71 reports published by the National Treasury give an account of actual revenue collection and spending by municipalities per quarter against their budgeted figures.

To improve the quality of reporting, the Municipal Budget and Reporting Regulations promulgated in 2009 prescribed new budget reporting formats for municipalities. In terms of the 2009 regulations, municipalities must submit their 2015/16 MTREF budgets in the prescribed A1 Schedules as per the regulations. Improvements in reporting this year can be attributed to the collective efforts of the National Treasury and provincial treasuries to work with municipalities to improve both budgeting and reporting.

All 278 municipalities conformed to the prescribed reporting formats as per the Municipal Budget and Reporting Regulations. Also the number of municipalities whose electronically submitted budgets reconciled with the actual budget approved by their councils has increased. While 249 municipalities managed to achieve this reconciliation last year, for the 2015/16 MTREF only 216 municipalities were verified as reconciling. Efforts will continue to ensure all municipalities meet requirements and to further improve the quality of budget information.

Annexure A sets out the full list of information that can be found on the website, and a high level summary of information in terms of category of municipality and per province. **Annexure B** contains a sets key graphs articulating in numbers in graphical format. Go to www.treasury.gov.za/mfma for more information.

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NOTE TO EDITORS:

- Section 24(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA) requires the Accounting Officer of a municipality to submit the municipality's adopted annual budget to National Treasury and the relevant provincial treasury once approved by the Council.
- The publication of annual municipal budgets is a continuation of efforts by the National Treasury to disseminate as much local government financial information as possible in the public domain. The information and financial data that is the subject of this publication contain national aggregated municipal budget amounts for the 2015/16, 2016/17 and 2017/18 financial years for all municipalities and are summarized in a variety of ways including analyses per municipal category and per province.
- This information is deemed to be critical for policy makers, researchers and sector specialists. It is anticipated that the dissemination of this information will assist in improving municipal accountability and will also serve as the basis for strengthening the In-year Monitoring and Reporting System (IYM)(Section 71 of the MFMA).
- In terms of the process, Municipal Managers and Chief Financial Officers are required to submit their adopted budgets and supporting schedules as well as budget related electronic returns to the National Treasury by the latest 30 September 2015. Any queries on the figures in these statements should therefore be referred to the relevant Municipal Manager or Chief Financial Officer.
- A municipal budget must be funded in terms of Section 18 of the MFMA before a municipal Council can adopt that budget for implementation. A funded budget is essentially a budget that is funded by a combination of cash derived either from realistically anticipated revenues to be collected in that year and cash backed surpluses of previous years. It is a common practice amongst most municipalities when preparing their annual budgets to overstate or inflate revenue projections, either to reflect a surplus or on the surface to show that excess expenditure requirements are adequately covered by revenues to be collected. Hence, the revenue estimates are seldom underpinned by realistic or realisable revenue assumptions resulting in municipalities not being able to collect this revenue and therefore finding themselves in cash flow difficulties. Should such situations arise, municipalities must adjust expenditure downwards to ensure that there is sufficient cash to meet these commitments.
- This 2015/16 MTREF publication covers 277 municipalities.

ANNEXURE A

The full list of information published:

- Aggregated/consolidated municipal 2015/16 MTREF information;
- A set of related graphs;
- Summary of expenditure by function;
- Summary of large expenditure items;
- A. Medium-term budget (three year budget perspective of the summarised operational and capital appropriations);
- B. Municipal Budget and Reporting Regulations format (Summary of financial dimensions);
- C. Municipal Budget and Reporting Regulations format (Detail of schedules A2 to A10):
  - Schedule A2 (Standard Classification);
  - Schedule A4 (Statement of Financial Performance);
  - Schedule A5 (Capital Budget);
  - Schedule A6 (Statement of Financial Position);
  - Schedule A7 (Cash Flow Budget/Position);
  - Schedule A9 (Asset Management);
  - Schedule A10 (Free Basic Services); and
  - Combined Schedules A1 to A10.

- D. Changes to Baseline;
- E. Summary of Growth Rates;
- F. Budgeted Ratios;
- G. Additional Information;
- H. Outcome of Municipal Budget Benchmarking; and
- I. Audited results for 2013/14.

HIGH LEVEL ANALYSIS OF THE 2015/16 MTREF:

1. The analysis below is restricted to the aggregated expenditure by category of municipality, an overview of the budgets of the eight metropolitan councils, the secondary cities (next top 19 municipalities in terms of budget size) and a summary of municipal budgets per province. The supporting tables published on the National Treasury's website provide more information by type of expenditure item and other operational information. Information on each municipality's 2015/16 budget and MTREF is also published on the National Treasury website.

Aggregated operating and capital budget

Table 1: Aggregated Operating and Capital budgets, 2015/16 - 2017/18

Description	Original Budget	2014/15 Medium Term Revenue & Expenditure Framework		
	2014/15	2015/16	2016/17	2017/18
R thousands				
Total Revenue	310 040 555	345 072 166	366 005 014	392 133 943
Total Expenditure	336 319 609	373 009 932	392 558 275	416 349 823
Surplus / (deficit)	**(26 279 054)**	**(27 937 766)**	**(26 553 261)**	**(24 215 880)**
FINANCING:				
External loans / borrowing	12 038 295	12 155 568	11 321 742	11 263 995
Internally generated funds[1]	13 595 288	13 898 546	13 747 681	12 182 767
Total financing	**25 633 583**	**26 054 114**	**25 069 423**	**23 446 762**
Net surplus / (deficit)	**(645 471)**	**(1 883 652)**	**(1 483 837)**	**(769 118)**

[1] Internally generated funds appear to be overstated. External loans and internally generated funds are the municipality's own contribution to capital revenue.

Source: National Treasury Local Government Database

2. Total revenue is estimated to be R345.1 billion, R366 billion and R392.1 billion while total expenditure estimates are R373 billion, R392.6 billion and R416.3 billion for each of the respective financial years of the 2015/16 Medium-term Revenue and Expenditure Framework (MTREF).

3. For the purpose of the above table, external loans (borrowing) and internally generated funds have been excluded from total revenue. Although a funding source for the capital budget, the inclusion of borrowing would artificially inflate total revenue as would internally generated funds. Municipalities generate internal funding in two ways; either by historic cash backed reserves (generated in previous financial years through revenue) or current year surpluses (generated through current revenue – operating surpluses).

4. Over the MTREF period municipalities intend raising external loans (borrowing) of R34.7 billion to fund infrastructure development while contributing R39.8 billion through internally generated funding.

5. Purely from an operational point of view, it appears as if municipalities do not have enough revenue to be generated to cover their operational expenses. In 2015/16 the operational deficit is R1.9 billion which has decreased R769 million in the outer years.

Table 2: Consolidated budget summary for all municipalities for the 2015 MTREF

Description R thousands	Current year 2014/15 Original Budget	2015/16 Medium Term Revenue & Expenditure Framework Budget Year 2015/16	Budget Year 2016/17	Budget Year 2017/18
Financial Performance				
Property rates	44 896 421	47 921 735	51 480 286	55 370 782
Service charges	141 652 526	157 725 950	172 617 316	189 260 944
Investment revenue	2 872 373	3 298 261	3 509 906	3 692 588
Transfers recognised - operational	57 345 915	64 582 003	66 208 649	69 597 491
Other own revenue	26 368 373	30 726 112	31 375 824	33 045 332
Total Revenue (excluding capital transfers and contributions)	**273 135 608**	**304 254 061**	**325 191 981**	**350 967 138**
Employee costs	73 572 208	81 360 627	86 879 595	92 738 522
Remuneration of councillors	3 299 040	3 549 531	3 754 425	4 001 292
Depreciation & asset impairment	22 946 162	24 799 984	26 411 648	28 400 792
Finance charges	7 397 716	8 189 285	8 420 945	8 816 387
Materials and bulk purchases	84 197 121	95 903 070	105 526 916	116 451 466
Transfers and grants	5 949 859	6 673 206	6 495 938	6 852 621
Other expenditure	76 418 973	85 662 010	89 186 350	94 475 177
Total Expenditure	**273 781 079**	**306 137 714**	**326 675 818**	**351 736 256**
Surplus/(Deficit)	**(645 471)**	**(1 883 652)**	**(1 483 837)**	**(769 118)**
Transfers recognised - capital	34 280 185	37 919 363	38 183 866	40 035 865
Contributions recognised - capital & contributed assets	67 846	63 636	5 457	(94 388)
Surplus/(Deficit) after capital transfers & contributions	**33 702 560**	**36 099 347**	**36 705 486**	**39 172 359**
Share of surplus/ (deficit) of associate	-	-	-	0
Surplus/(Deficit) for the year	**33 702 560**	**36 099 347**	**36 705 486**	**39 172 359**
Capital expenditure & funds sources				
Capital expenditure	**62 538 530**	**66 872 219**	**65 882 457**	**64 613 567**
Transfers recognised - capital	35 463 691	39 678 480	39 917 012	40 273 712
Public contributions & donations	1 441 256	1 139 625	896 021	893 092
Borrowing	12 038 295	12 155 568	11 321 742	11 263 995
Internally generated funds	13 595 288	13 898 546	13 747 681	12 182 767
Total sources of capital funds	**62 538 530**	**66 872 219**	**65 882 457**	**64 613 567**

Source: National Treasury Local Goverment database

6. It needs to be noted that municipalities are on the 'accrual' basis of accounting and as a result the operating statement of financial performance represents the intended billings and other revenue receipts and not actual collections (cash in the bank). The degree to which billings and other revenue translate into actual cash is highly dependent on the management of the municipal revenue value chain and credit control processes.

Aggregated operating and capital budget per municipal category

Table 3: Aggregated Operating and Capital revenue per category, 2014/15 - 2017/18

	2014/15			2015/16			2016/17			2017/18		
R thousand	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**
Category A	34 559 540	164 909 781	199 469 321	34 734 483	182 142 655	216 877 138	36 129 405	196 969 705	233 099 110	36 323 295	214 063 925	250 387 220
Category B	19 872 550	90 927 095	110 799 646	22 097 784	103 902 288	126 000 072	20 235 610	109 644 509	129 880 120	18 938 517	117 405 284	136 343 800
Category C	8 106 439	17 298 732	25 405 171	10 039 952	18 209 118	28 249 069	9 517 442	18 577 767	28 095 208	9 351 755	19 497 929	28 849 684
Total	**62 538 530**	**273 135 608**	**306 124 294**	**66 872 219**	**304 254 061**	**371 126 280**	**65 882 457**	**325 191 981**	**391 074 438**	**64 613 567**	**350 967 138**	**415 580 705**
Less												
External loans / borrowing	12 022 850	-	12 022 850	12 155 568	-	12 155 568	11 321 742	-	11 321 742	11 263 995	-	11 263 995
Internally generated funds	9 805 506	-	9 805 506	13 898 546	-	13 898 546	13 747 681	-	13 747 681	12 182 767	-	12 182 767
Total revenue	**40 710 174**	**273 135 608**	**284 295 938**	**40 818 105**	**304 254 061**	**345 072 166**	**40 813 034**	**325 191 981**	**366 005 014**	**41 166 805**	**350 967 138**	**392 133 943**
% of total revenue[1]												
Category A	9.4%	49.7%	59.1%	9.4%	49.1%	58.4%	9.2%	50.4%	59.6%	8.7%	51.5%	60.2%
Category B	6.5%	26.9%	33.5%	6.0%	28.0%	34.0%	5.2%	28.0%	33.2%	4.6%	28.3%	32.8%
Category C	2.5%	4.9%	7.5%	2.7%	4.9%	7.6%	2.4%	4.8%	7.2%	2.3%	4.7%	6.9%

[1]*Percentage calculations in per category tables are based on total revenue and expenditure (including external loans and internally generated funds).*

Source: National Treasury Local Government Database

7. Table 3 shows the aggregated budgeted revenue by category of municipality over the 2015/16 MTREF period. In aggregate, the budgeted revenue for 2015/16 has increased by 35.8 per cent from R306.1 billion in 2014/15 to R415.6 billion in 2017/18; operating revenue increased by 27.9 per cent while capital growth is 3.3 per cent when compared to 2014/15. The increase in operating revenue appears to be over optimistic given the current economic climate.

8. In the outer years of the 2015 MTREF period, aggregated growth is 5.4 per cent and 6.3 per cent respectively. Capital expenditure decreases by 1.5 per cent in 2016/17 and by 1.9 per cent in 2017/18, indicating a negative trend in the outer years.

9. Total gross revenue raised by Category A (metros) municipalities accounts for 58.4 per cent of the total aggregated revenue in 2015/16. This increases to 60.2 per cent by 2017/18 indicating that the eight metros account for slightly less than two-thirds of total aggregated revenue raised by local government; this supports the notion that metros have a larger fiscal capacity (ability to raise/bill revenue) when compared to other categories of municipalities.

10. The percentage share of total aggregated revenue for Category B and C municipalities starts to decline slightly over the 2015 MTREF period. Total revenue raised by Category B (local) municipalities is on average approximately 33.3 per cent of total aggregated revenue while category C (districts) municipalities contribute approximately 7.2 per cent.

11. District municipalities are primarily funded from the National Fiscus and are highly grant dependent with only some districts being allocated the powers and functions to provide water services. Hence the growth in the revenue of district municipalities will be modest.

12. Table 4 shows the total budgeted expenditure by category of municipality over the 2015/16 MTREF period. In aggregate, budgeted municipal expenditure has grown by 10.9 per cent from R336.8 billion in 2014/15 to R373.5 billion in the 2015/16 financial year; growth in operating expenditure contributed 11.8 per cent while growth in capital expenditure is 6.9 per cent.

Table 4: Aggregated Operating and Capital expenditure per category, 2014/15 - 2017/18

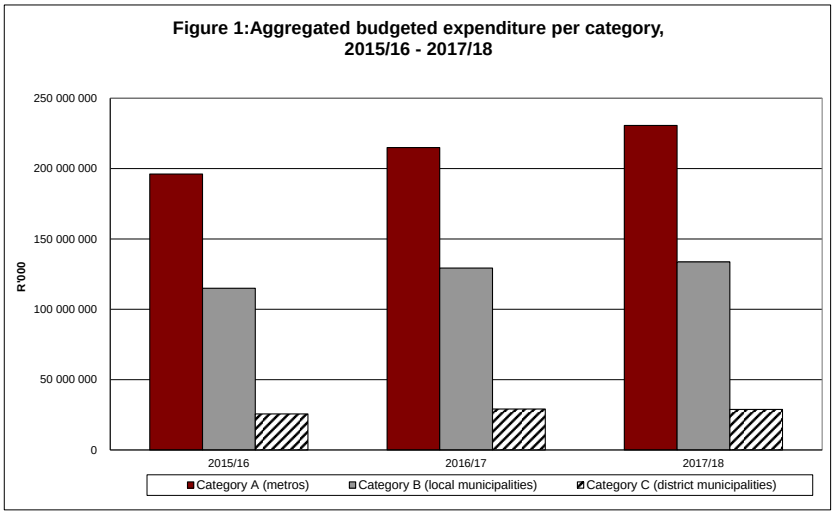
	2014/15			2015/16			2016/17			2017/18		
R thousand	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**
Category A	34 559 540	161 615 536	196 175 076	34 734 483	180 259 042	214 993 525	36 129 405	194 505 889	230 635 294	36 323 295	210 618 900	246 942 195
Category B	19 872 550	95 104 028	114 976 578	22 097 784	107 258 002	129 355 786	20 235 610	113 440 927	133 676 537	18 938 517	121 595 152	140 533 669
Category C	8 106 439	17 590 320	25 696 759	10 039 952	19 122 807	29 162 759	9 517 442	19 342 013	28 859 455	9 351 755	20 134 879	29 486 634
Total	**62 538 530**	**274 309 884**	**336 848 414**	**66 872 219**	**306 639 851**	**373 512 069**	**65 882 457**	**327 288 829**	**393 171 286**	**64 613 567**	**352 348 931**	**416 962 498**
Less												
Taxation	-	528 805	528 805	-	502 137	502 137	-	613 011	613 011	-	612 675	612 675
Total expenditure	**62 538 530**	**273 781 079**	**336 319 609**	**66 872 219**	**306 137 714**	**373 009 932**	**65 882 457**	**326 675 818**	**392 558 275**	**64 613 567**	**351 736 256**	**416 349 823**
% of total expenditure[1]												
Category A	10.3%	48.0%	58.2%	9.3%	48.3%	57.6%	9.2%	49.5%	58.7%	8.7%	50.5%	59.2%
Category B	5.9%	28.2%	34.1%	5.9%	28.7%	34.6%	5.1%	28.9%	34.0%	4.5%	29.2%	33.7%
Category C	2.4%	5.2%	7.6%	2.7%	5.1%	7.8%	2.4%	4.9%	7.3%	2.2%	4.8%	7.1%

[1]*Percentage calculations in per category tables are based on total revenue and expenditure (including external loans and internally generated funds).*

Source: National Treasury Local Government Database

13. Capital budgets for Category A municipalities are increasing over the MTREF, with metros capital spending rising from R34.7 billion in 2015/16 to R36.3 billion by 2017/18. The decrease in capital infrastructure spending by Category B and C municipalities is concerning.

Figure 1:Aggregated budgeted expenditure per category, 2015/16 - 2017/18



14. The total expenditure budget of the eight metros as a share of the total local government budget for the 2015/16 financial year constitutes 57.6 per cent, whereas local municipalities represent 34.6 per cent. District municipalities represent only 7.8 per cent of total expenditure. These trends remain largely constant over the MTREF period with metros contributing an estimated 59.2 per cent to total expenditure by 2017/18.

15. Aggregated capital expenditure declines from 17.9 per cent in 2015/16, 16.8 per cent in 2016/17 to 15.5 per cent in 2017/18 of the overall budget of municipalities. The split between capital and operational expenditure remains relatively stable over the 2015/16 MTREF. This performance is well within the National Treasury norm of between 10 and 20 per cent and suggests that in general municipalities are improving on their ability to plan for a longer term, be that at a slow pace.

16. Operating expenditure in aggregate represents 82.1 per cent in 2015/16, increases to 83.2 per cent in 2016/17 and 84.5 per cent in 2017/18 of the overall budget of municipalities.

Detailed capital expenditure and funding

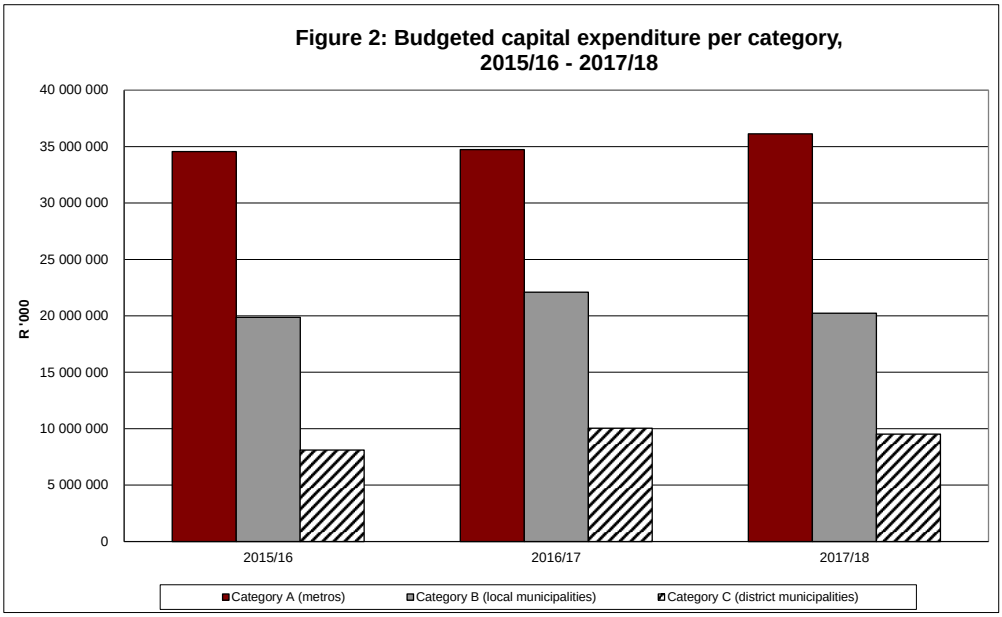
Table 5: Budgeted capital expenditure and funding, 2014/15 - 2017/18

	Original Budget	2014/15 Medium Term Revenue & Expenditure Framework		
R thousands	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Capital Expenditure - Standard Classification				
Governance and Administration	**6 206 166**	**5 606 189**	**4 647 897**	**4 249 167**
Executive & Council	1 499 777	1 825 098	1 370 726	1 102 039
Budget & Treasury Office	953 317	788 827	652 255	1 273 190
Corporate Services	3 753 072	2 992 264	2 624 916	1 873 939
Community and Public Safety	**9 210 964**	**9 231 598**	**9 283 831**	**9 264 896**
Community & Social Services	1 756 879	1 589 490	1 346 549	1 503 213
Sport And Recreation	1 363 135	1 283 260	1 103 392	996 196
Public Safety	950 149	1 085 503	902 578	858 764
Housing	4 859 409	4 880 168	5 570 871	5 528 991
Health	281 392	393 177	360 441	377 732
Economic and Environmental Services	**19 063 409**	**18 190 558**	**17 889 097**	**17 772 067**
Planning and Development	2 709 981	2 913 089	2 855 199	2 910 206
Road Transport	16 166 051	15 147 109	14 902 122	14 736 714
Environmental Protection	187 377	130 360	131 776	125 147
Trading Services	**27 787 674**	**26 969 955**	**25 154 297**	**24 956 107**
Electricity	8 442 286	7 338 005	6 919 715	6 772 426
Water	12 281 433	13 036 332	11 039 146	10 935 125
Waste Water Management	5 582 702	5 472 840	5 955 096	6 249 323
Waste Management	1 481 253	1 122 778	1 240 341	999 233
Other	**270 317**	**157 444**	**101 789**	**82 177**
Total Capital Expenditure	**62 538 530**	**60 155 745**	**57 076 912**	**56 324 415**
Of which				
Total New Assets	42 523 553	36 340 439	34 364 493	33 973 896
Total Renewal of Existing Assets	20 014 977	23 815 306	22 712 419	22 350 519
Total Capital Expenditure	**62 538 530**	**60 155 745**	**57 076 912**	**56 324 415**
Percentage of total capital expenditure				
New assets	68.0%	60.4%	60.2%	60.3%
Renewal of existing assets	32.0%	39.6%	39.8%	39.7%
Funded by:				
National Government	33 137 189	32 751 008	31 431 883	32 249 014
Provincial Government	1 945 829	1 985 283	1 881 938	1 732 012
District Municipality	82 349	46 297	10 000	5 000
Other transfers and grants	298 324	193 715	166 466	107 601
Transfers recognised - capital	**35 463 691**	**34 976 303**	**33 490 287**	**34 093 627**
Public contributions and donations	1 441 256	1 163 388	925 984	905 004
Borrowing	12 038 295	11 597 478	10 202 466	10 281 639
Internally generated funds	13 595 288	12 418 576	12 458 175	11 044 144
Total Capital Funding	**62 538 530**	**60 155 745**	**57 076 912**	**56 324 415**
Repairs and Maintenance by Asset Class				
Infrastructure - Road Transport	3 811 662	3 722 022	4 065 937	4 303 342
Infrastructure - Electricity	3 741 892	4 022 473	4 305 859	4 622 056
Infrastructure - Water	2 686 612	2 673 527	2 715 742	2 717 000
Infrastructure - Sanitation	1 406 486	1 551 066	1 597 258	1 706 021
Infrastructure - Other	364 445	1 330 539	601 175	638 854
Infrastructure	**12 011 097**	**13 299 627**	**13 285 971**	**13 987 274**
Community	1 309 224	1 157 716	1 261 384	1 354 746
Heritage assets	248 950	251 841	285 829	307 266
Investment properties	26 820	31 706	35 676	39 915
Other assets	5 845 148	6 222 383	6 729 643	7 469 217
Total Repairs and Maintenance	**19 441 239**	**20 963 272**	**21 598 503**	**23 158 419**

Source: National Treasury Local Government Database

17. The 2015/16 capital budget reflects a R36.3 billion investment in new infrastructure which is 60.4 per cent of the total aggregated capital budget; 7.6 per cent less than in 2014/15. Investment in the renewal of existing assets is appropriated at R23.8 billion or 39.6 per cent of the capital budget. Over the MTREF the 60:40 ratio prescribed between new and renewal capital expenditure remains constant.

18. Monthly reporting on operational repairs and maintenance figures has now been institutionalized as part of Section 71 in-year reporting framework. R21 billion will be allocated in 2015/16 to repairs and maintenance of assets from operating expenditure. This will increase to R21.6 billion and R23.2 billion in the two outer years of the MTREF period.



Aggregated operating and capital budget per municipality per province

19. Table 6 and 7 show the aggregated budgeted revenue and expenditure by province over the 2015/16 MTREF period.

20. A provincial analysis reveals that Gauteng with 12 municipalities (including three metros and two secondary cities) has the highest capital budget for 2015/16 estimated at R19.5 billion or 29.1 per cent of the total municipal capital budget. This is followed by KwaZulu-Natal with 61 municipalities (including one metro and three secondary cities) at an estimated R13.9 billion or 20.8 per cent and the Western Cape with 30 municipalities (including one metro and three secondary cities) at R8.4 billion or 12.6 per cent. This trend remains unchanged over the duration of the MTREF.

21. The national per capita spending average is estimated to be R7 215 in 2015/16. Only three provinces will exceed this national average in 2015/16, namely Free State at R7 293, Gauteng at R10 620 per capita and Western Cape at R9 534 per capita. The trend line suggests increases over the MTREF reaching R8 054 per capita by 2017/18.

22. The high per capita spending in the Gauteng and Western Cape provinces are probably due to the fact that both of these provinces are home to a significant proportion of the country's economic activity – this tends to increase spending on traded items like electricity and water, which then distorts the per capita analysis. In addition, the per capita expenditure numbers will also tend to be higher in those provinces where service delivery backlogs are the lowest and there are a higher proportion of affluent households.

23. It should also be noted that this calculation is based on the Census 2011.

Table 6: Aggregated Operating and Capital revenue for municipalities per provinces, 2014/15 - 2017/18

	2014/15			2015/16			2016/17			2017/18		
R thousand	**Capital**	**Operating[1]**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**
Eastern Cape	6 235 936	25 104 509	**31 340 445**	8 365 650	28 109 201	**36 474 851**	8 305 098	29 668 774	**37 973 872**	8 622 014	31 555 213	**40 177 227**
Free State	2 798 318	14 704 060	**17 502 378**	3 475 607	16 641 150	**20 116 757**	3 806 956	17 354 007	**21 160 963**	3 692 929	18 124 644	**21 817 572**
Gauteng	20 322 740	101 773 948	**122 096 688**	19 471 356	111 871 461	**131 342 817**	20 057 967	120 393 964	**140 451 932**	19 889 511	130 898 485	**150 787 996**
KwaZulu-Natal	12 159 418	47 002 411	**59 161 829**	13 943 250	51 999 081	**65 942 332**	12 839 912	55 609 959	**68 449 871**	13 083 702	60 147 438	**73 231 140**
Limpopo	5 517 700	12 342 134	**17 859 835**	5 713 800	14 104 704	**19 818 503**	5 928 982	14 471 126	**20 400 107**	5 359 691	15 234 746	**20 594 438**
Mpumalanga	2 689 339	12 325 973	**15 015 312**	3 054 631	14 790 000	**17 844 631**	3 145 191	15 892 721	**19 037 913**	2 652 833	17 317 839	**19 970 672**
North West	3 114 416	12 932 286	**16 046 702**	3 116 767	14 006 607	**17 123 374**	2 510 881	15 067 314	**17 578 195**	2 523 130	16 186 380	**18 709 510**
Northern Cape	1 327 217	5 749 253	**7 076 470**	1 288 638	6 318 648	**7 607 286**	1 121 076	6 555 606	**7 676 682**	1 053 941	6 878 107	**7 932 049**
Western Cape	8 373 447	41 201 034	**49 574 481**	8 442 520	46 413 208	**54 855 728**	8 166 394	50 178 510	**58 344 904**	7 735 815	54 624 286	**62 360 101**
Total	**62 538 530**	**273 135 608**	**335 674 138**	**66 872 219**	**304 254 061**	**371 126 280**	**65 882 457**	**325 191 981**	**391 074 438**	**64 613 567**	**350 967 138**	**415 580 705**
Less												
External loans / borrowing	12 038 295	-	**12 038 295**	12 155 568	-	**12 155 568**	11 321 742	-	**11 321 742**	11 263 995	-	**11 263 995**
Internally generated funds	13 595 288	-	**13 595 288**	13 898 546	-	**13 898 546**	13 747 681	-	**13 747 681**	12 182 767	-	**12 182 767**
Total revenue	**36 904 947**	**273 135 608**	**310 040 555**	**40 818 105**	**304 254 061**	**345 072 166**	**40 813 034**	**325 191 981**	**366 005 014**	**41 166 805**	**350 967 138**	**392 133 943**

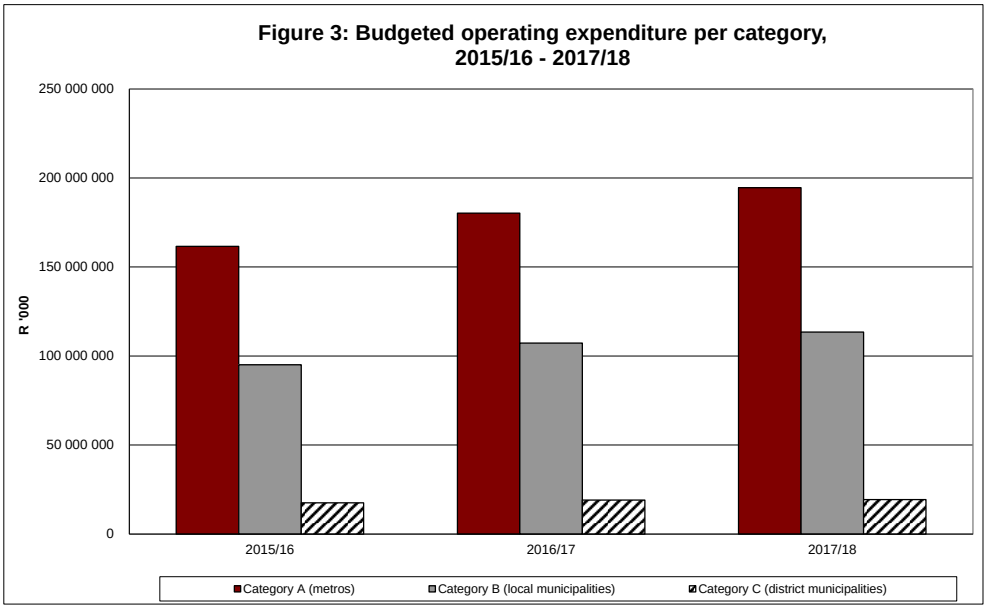
[1]Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

Table 7: Aggregated Operating and Capital expenditure for municipalities per provinces, 2014/15 - 2017/18

		2014/15			2015/16			2016/17			2017/18		
	Census 2011	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**
R thousand													
Eastern Cape	6 562 053	6 235 936	25 708 955	**31 944 890**	8 365 650	28 842 959	**37 208 609**	8 305 098	30 465 186	**38 770 284**	8 622 014	32 422 133	**41 044 147**
Free State	2 745 589	2 798 318	15 018 423	**17 816 741**	3 475 607	16 548 249	**20 023 856**	3 806 956	17 517 843	**21 324 799**	3 692 929	18 512 246	**22 205 175**
Gauteng	12 272 264	20 322 740	99 098 417	**119 421 157**	19 471 356	110 862 139	**130 333 496**	20 057 967	119 078 098	**139 136 065**	19 889 511	128 866 969	**148 756 480**
KwaZulu-Natal	10 267 303	12 159 418	47 400 433	**59 559 851**	13 943 250	52 546 675	**66 489 925**	12 839 912	56 061 034	**68 900 946**	13 083 702	60 453 934	**73 537 636**
Limpopo	5 404 868	5 517 700	12 202 675	**17 720 376**	5 713 800	14 130 202	**19 844 002**	5 928 982	14 359 427	**20 288 408**	5 359 691	15 286 819	**20 646 511**
Mpumalanga	4 039 938	2 689 339	13 903 085	**16 592 424**	3 054 631	15 439 947	**18 494 578**	3 145 191	16 529 046	**19 674 237**	2 652 833	17 834 169	**20 487 002**
North West	3 509 954	3 114 416	13 482 587	**16 597 003**	3 116 767	14 904 683	**18 021 450**	2 510 881	15 808 596	**18 319 476**	2 523 130	16 783 150	**19 306 280**
Northern Cape	1 145 860	1 327 217	5 740 986	**7 068 202**	1 288 638	6 294 281	**7 582 919**	1 121 076	6 642 137	**7 763 214**	1 053 941	7 003 464	**8 057 405**
Western Cape	5 822 735	8 373 447	41 754 323	**50 127 770**	8 442 520	47 070 715	**55 513 235**	8 166 394	50 827 463	**58 993 857**	7 735 815	55 186 047	**62 921 862**
Total	**51 770 564**	**62 538 530**	**274 309 884**	**336 848 414**	**66 872 219**	**306 639 851**	**373 512 069**	**65 882 457**	**327 288 829**	**393 171 286**	**64 613 567**	**352 348 931**	**416 962 498**
Less													
Taxation		-	528 805	**528 805**	-	502 137	**502 137**	-	613 011	**613 011**	-	612 675	**612 675**
Total expenditure		**62 538 530**	**273 781 079**	**336 319 609**	**66 872 219**	**306 137 714**	**373 009 932**	**65 882 457**	**326 675 818**	**392 558 275**	**64 613 567**	**351 736 256**	**416 349 823**
Per capita spending													
Eastern Cape		950	3 918	4 868	1 275	4 395	5 670	1266	4643	5908	1 314	4 941	6 255
Free State		1 019	5 470	6 489	1 266	6 027	7 293	1387	6380	7767	1 345	6 743	8 088
Gauteng		1 656	8 075	9 731	1 587	9 034	10 620	1634	9703	11337	1 621	10 501	12 121
KwaZulu-Natal		1 184	4 617	5 801	1 358	5 118	6 476	1251	5460	6711	1 274	5 888	7 162
Limpopo		1 021	2 258	3 279	1 057	2 614	3 672	1097	2657	3754	992	2 828	3 820
Mpumalanga		666	3 441	4 107	756	3 822	4 578	779	4091	4870	657	4 414	5 071
North West		887	3 841	4 729	888	4 246	5 134	715	4504	5219	719	4 782	5 500
Northern Cape		1 158	5 010	6 168	1 125	5 493	6 618	978	5797	6775	920	6 112	7 032
Western Cape		1 438	7 171	8 609	1 450	8 084	9 534	1403	8729	10132	1 329	9 478	10 806
Total		**1 208**	**5 299**	**6 507**	**1 292**	**5 923**	**7 215**	**1273**	**6322**	**7594**	**1 248**	**6 806**	**8 054**

Source: National Treasury Local Government Database, StatsSA Census 2011



Aggregated operating and capital budget for metros

24. The aggregated budgeted revenue for all metros over the 2015/16 MTREF period is contained in Table 8. Total revenue increased from R199.5 billion in 2014/15 to R216.9 billion in 2015/16, R233.1 billion in 2016/17 and R250.4 billion in 2017/18, reflecting a total increase of 7.8 and 8.6 per cent in the two outer years of the MTREF.

25. The table also shows the revenue budget of each metro as a percentage of the aggregated budget. The revenue comparison reflects the size of each metro relative to others. This generally remains stable over the MTREF with the City of Johannesburg topping the list at 24.8 per cent for 2015/16 followed by the Cape Town at 17.3 per cent and eThekwini at 16.4 per cent. Two metros, namely Mangaung and Buffalo City are comparatively small with total revenue at 3.9 and 3.2 per cent respectively.

Table 8: Aggregated Operating and Capital revenue for metros, 2014/15 - 2017/18

	2014/15			2015/16			2016/17			2017/18		
R thousand	**Capital**	**Operating[1]**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**
Buffalo City	942 007	4 758 546	**5 700 553**	1 275 354	5 719 607	**6 994 962**	1 349 540	6 251 033	**7 600 573**	1 521 069	6 630 850	**8 151 919**
Cape Town	6 211 315	28 436 210	**34 647 526**	5 780 819	31 723 843	**37 504 662**	5 554 113	34 466 823	**40 020 936**	5 377 120	37 704 579	**43 081 699**
Ekurhuleni Metro	3 790 366	26 310 701	**30 101 067**	4 471 563	29 454 839	**33 926 402**	4 958 028	32 399 173	**37 357 201**	5 182 445	35 800 166	**40 982 611**
eThekwini	5 711 022	26 725 375	**32 436 397**	6 046 926	29 534 286	**35 581 212**	6 435 351	32 097 263	**38 532 614**	6 937 100	35 003 004	**41 940 105**
City Of Johannesburg	10 875 150	39 307 283	**50 182 433**	9 896 853	43 788 546	**53 685 399**	9 851 350	46 353 388	**56 204 738**	9 311 295	49 761 949	**59 073 244**
Mangaung	1 469 463	6 312 594	**7 782 057**	1 793 891	6 740 247	**8 534 138**	2 391 897	7 173 437	**9 565 333**	2 187 256	7 509 165	**9 696 422**
Nelson Mandela Bay	1 392 230	8 119 588	**9 511 818**	1 612 510	8 885 456	**10 497 966**	1 597 288	9 698 363	**11 295 650**	1 644 883	10 698 935	**12 343 818**
City Of Tshwane	4 167 987	24 939 484	**29 107 471**	3 856 566	26 295 831	**30 152 398**	3 991 839	28 530 226	**32 522 065**	4 162 126	30 955 278	**35 117 404**
Total	**34 559 540**	**164 909 781**	**199 469 321**	**34 734 483**	**182 142 655**	**216 877 138**	**36 129 405**	**196 969 705**	**233 099 110**	**36 323 295**	**214 063 925**	**250 387 220**
Less												
External loans / borrowing	9 728 929	-	**9 728 929**	9 728 929	-	**9 728 929**	10 010 415	-	**10 010 415**	8 469 101	-	**8 469 101**
Internally generated funds	8 446 805	-	**8 446 805**	8 446 805	-	**8 446 805**	8 943 152	-	**8 943 152**	9 418 960	-	**9 418 960**
Total revenue	**16 383 807**	**164 909 781**	**181 293 588**	**16 558 750**	**182 142 655**	**198 701 405**	**17 175 838**	**196 969 705**	**214 145 543**	**18 435 234**	**214 063 925**	**232 499 160**
% of total revenue												
Buffalo City	0.5%	2.4%	2.9%	0.6%	2.6%	3.2%	0.6%	2.7%	3.3%	0.6%	2.6%	3.3%
Cape Town	3.1%	14.3%	17.4%	2.7%	14.6%	17.3%	2.4%	14.8%	17.2%	2.1%	15.1%	17.2%
Ekurhuleni Metro	1.9%	13.2%	15.1%	2.1%	13.6%	15.6%	2.1%	13.9%	16.0%	2.1%	14.3%	16.4%
eThekwini	2.9%	13.4%	16.3%	2.8%	13.6%	16.4%	2.8%	13.8%	16.5%	2.8%	14.0%	16.8%
City Of Johannesburg	5.5%	19.7%	25.2%	4.6%	20.2%	24.8%	4.2%	19.9%	24.1%	3.7%	19.9%	23.6%
Mangaung	0.7%	3.2%	3.9%	0.8%	3.1%	3.9%	1.0%	3.1%	4.1%	0.9%	3.0%	3.9%
Nelson Mandela Bay	0.7%	4.1%	4.8%	0.7%	4.1%	4.8%	0.7%	4.2%	4.8%	0.7%	4.3%	4.9%
City Of Tshwane	2.1%	12.5%	14.6%	1.8%	12.1%	13.9%	1.7%	12.2%	14.0%	1.7%	12.4%	14.0%

[1] Operating revenue excluding capital transfers

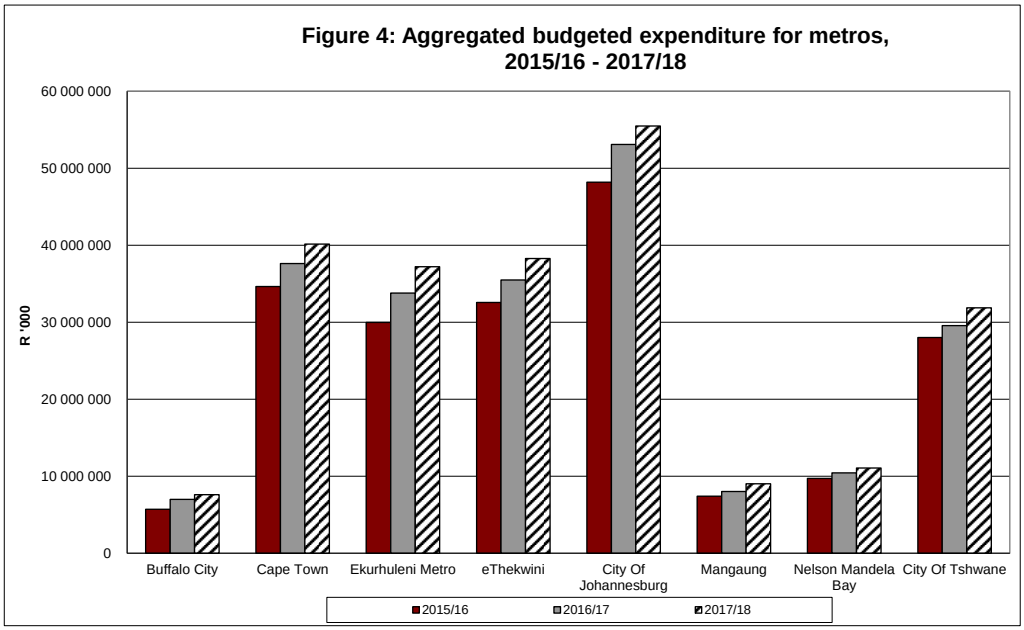
Source: National Treasury Local Government Database

26. The capital budget of the metros constitutes 51.9 per cent of the total municipal capital budget for 2015/16 and increases to 56.2 per cent of total municipal capital expenditure by 2017/18. This is about 3.4 per cent lower than the previous year but still highlights the overall importance of the metros in the driving economic growth and job creation as metros are widely considered growth engines of the economy.

Table 9: Aggregated Operating and Capital expenditure for metros, 2014/15 - 2017/18

	2014/15			2015/16			2016/17			2017/18		
R thousand	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**
Buffalo City	942 007	4 746 905	**5 688 913**	1 275 354	5 718 685	**6 994 040**	1 349 540	6 248 952	**7 598 492**	1 521 069	6 630 014	**8 151 083**
Cape Town	6 211 315	28 438 211	**34 649 526**	5 780 819	31 849 422	**37 630 241**	5 554 113	34 589 719	**40 143 832**	5 377 120	37 795 315	**43 172 436**
Ekurhuleni Metro	3 790 366	26 194 817	**29 985 183**	4 471 563	29 321 872	**33 793 435**	4 958 028	32 240 963	**37 198 991**	5 182 445	35 528 468	**40 710 913**
eThekwini	5 711 022	26 853 285	**32 564 307**	6 046 926	29 436 059	**35 482 985**	6 435 351	31 839 434	**38 274 785**	6 937 100	34 574 373	**41 511 473**
City Of Johannesburg	10 875 150	37 311 926	**48 187 076**	9 896 853	43 195 323	**53 092 176**	9 851 350	45 642 419	**55 493 769**	9 311 295	48 632 136	**57 943 431**
Mangaung	1 469 463	5 924 047	**7 393 510**	1 793 891	6 206 926	**8 000 816**	2 391 897	6 616 162	**9 008 058**	2 187 256	7 017 976	**9 205 232**
Nelson Mandela Bay	1 392 230	8 306 387	**9 698 618**	1 612 510	8 819 839	**10 432 349**	1 597 288	9 458 951	**11 056 239**	1 644 883	10 318 881	**11 963 763**
City Of Tshwane	4 167 987	23 839 956	**28 007 943**	3 856 566	25 710 916	**29 567 483**	3 991 839	27 869 289	**31 861 128**	4 162 126	30 121 737	**34 283 863**
Total	**34 559 540**	**161 615 536**	**196 175 076**	**34 734 483**	**180 259 042**	**214 993 525**	**36 129 405**	**194 505 889**	**230 635 294**	**36 323 295**	**210 618 900**	**246 942 195**
Less												
Taxation	-	528 805	**528 805**	-	502 137	**502 137**	-	613 011	**613 011**	-	612 675	**612 675**
Total revenue	**34 559 540**	**161 086 731**	**195 646 271**	**34 734 483**	**179 756 905**	**214 491 388**	**36 129 405**	**193 892 878**	**230 022 283**	**36 323 295**	**210 006 224**	**246 329 519**
% of total expenditure												
Buffalo City	0.5%	2.4%	2.9%	0.6%	2.7%	3.3%	0.6%	2.7%	3.3%	0.6%	2.7%	3.3%
Cape Town	3.2%	14.5%	17.7%	2.7%	14.8%	17.5%	2.4%	15.0%	17.4%	2.2%	15.3%	17.5%
Ekurhuleni Metro	1.9%	13.4%	15.3%	2.1%	13.6%	15.7%	2.1%	14.0%	16.1%	2.1%	14.4%	16.5%
eThekwini	2.9%	13.7%	16.6%	2.8%	13.7%	16.5%	2.8%	13.8%	16.6%	2.8%	14.0%	16.8%
City Of Johannesburg	5.5%	19.0%	24.6%	4.6%	20.1%	24.7%	4.3%	19.8%	24.1%	3.8%	19.7%	23.5%
Mangaung	0.7%	3.0%	3.8%	0.8%	2.9%	3.7%	1.0%	2.9%	3.9%	0.9%	2.8%	3.7%
Nelson Mandela Bay	0.7%	4.2%	4.9%	0.8%	4.1%	4.9%	0.7%	4.1%	4.8%	0.7%	4.2%	4.8%
City Of Tshwane	2.1%	12.2%	14.3%	1.8%	12.0%	13.8%	1.7%	12.1%	13.8%	1.7%	12.2%	13.9%

Source: National Treasury Local Government Database



27. Operating expenditure by metros accounts for more than half (59 per cent in 2015/16) of total municipal operating expenditure over the 2015/16 MTREF.

28. Table 9 also shows that the City of Johannesburg, Cape Town and eThekwini have the largest capital budgets at 4.6, 2.7 and 2.8 per cent of the aggregated total budget for metros. They are followed by the Ekurhuleni Metro at 2.1 per cent. When City of Tshwane is benchmarked against the mentioned metros their capital appropriations appear small at a mere 1.8 per cent in 2015/16 and remains at the same level through the MTREF.

29. The amount to be generated by metros through the sale (billing) of core municipal services is reflected in Table 10. The major drivers of revenue in 2015/16 are electricity (R69.2 billion), water (R20 billion), waste water management (R8.6 billion) and waste management (R6 billion). Over the MTREF, moderate increases are anticipated for electricity which is expected to grow by 10 per cent in 2016/17 and 10.1 per cent in 2017/18. These increases in revenue are primarily due to the increase in the bulk price of electricity being passed through to customers which has been factored into the planning assumptions of metros.

30. Importantly over the MTREF this increased revenue does not directly supplement the funding of municipalities as it is offset against the increases associated with bulk purchases.

Table 10: Aggregated budgeted operating revenue for metros for functions, 2014/15 - 2017/18

R thousand	Electricity	Water	Waste Water Management	Waste Management
2014/15				
Buffalo City	1 511 514	370 613	271 995	251 704
Cape Town	10 076 891	2 560 130	1 374 589	989 811
Ekurhuleni Metro	11 717 499	2 867 861	995 311	1 231 349
eThekwini	10 477 612	2 879 423	776 193	513 927
City Of Johannesburg	13 573 620	4 618 593	2 712 507	1 060 922
Mangaung	2 396 602	677 958	240 416	154 967
Nelson Mandela Bay	3 182 151	558 220	384 587	200 068
City Of Tshwane	9 714 755	3 071 955	737 535	996 597
Total revenue	**62 650 644**	**17 604 753**	**7 493 133**	**5 399 347**
2015/16				
Buffalo City	1 658 671	411 381	314 571	286 063
Cape Town	11 137 790	2 762 941	1 500 948	1 097 141
Ekurhuleni Metro	13 153 808	3 437 870	1 189 748	1 364 937
eThekwini	11 778 524	3 279 627	855 076	550 024
City Of Johannesburg	15 015 735	5 121 389	3 239 755	1 263 088
Mangaung	2 411 023	876 185	235 259	93 138
Nelson Mandela Bay	3 519 222	639 699	436 338	222 076
City Of Tshwane	10 518 071	3 457 067	789 592	1 148 974
Total revenue	**69 192 844**	**19 986 158**	**8 561 286**	**6 025 441**
2016/17				
Buffalo City	1 861 029	455 398	343 522	312 380
Cape Town	12 483 024	3 063 296	1 664 402	1 184 349
Ekurhuleni Metro	14 709 660	3 781 657	1 298 922	1 472 877
eThekwini	13 189 028	3 589 788	922 624	588 012
City Of Johannesburg	15 962 681	5 732 059	3 366 447	1 345 189
Mangaung	2 615 429	956 478	249 175	98 717
Nelson Mandela Bay	3 948 567	722 860	493 062	248 725
City Of Tshwane	11 356 296	3 781 306	858 824	1 260 945
Total revenue	**76 125 713**	**22 082 843**	**9 196 978**	**6 511 194**
2017/18				
Buffalo City	2 088 074	503 215	374 452	340 494
Cape Town	13 980 276	3 396 462	1 845 714	1 266 649
Ekurhuleni Metro	16 451 415	4 122 006	1 412 268	1 589 383
eThekwini	14 702 957	3 935 799	995 509	625 563
City Of Johannesburg	17 066 728	6 235 590	3 662 172	1 431 281
Mangaung	2 797 992	1 044 461	274 308	106 246
Nelson Mandela Bay	4 430 292	816 832	557 160	281 059
City Of Tshwane	12 261 408	4 137 155	934 120	1 383 870
Total revenue	**83 779 143**	**24 191 520**	**10 055 704**	**7 024 546**

Source: National Treasury Local Government Database

31. Table 11 provides information on the projected expenditure by metros on bulk purchases for electricity and water over the MTREF. Metros have budgeted R46.8 billion for the purchase of bulk electricity, with an annual growth of 11.1 per cent and 11.3 per cent in the outer years of the MTREF when compared to the previous year's publication. This is well aligned to the multi-year price determination as approved by NERSA for Eskom and is lower than the 12.2 per cent prescribed in the Annexure E to the Budget Circular No 75 issued on 1 July 2015. It is estimated that expenditure in relation to bulk purchases of electricity will be R57.9 billion by 2017/18.

32. When comparing the revenue generated from the sale of electricity to the expenditure incurred on bulk electricity purchases, it would appear as if metros generate a substantial profit from the sale of electricity. However, bulk purchases only constitute on average 67 per cent of the cost of managing and rendering the electricity function. Other operational costs include expenditure on personnel, materials, refurbishment, repairs and maintenance, distribution losses and overhead costs.

33. In illustrating the above point, the increases associated with the sale of electricity in the two outer years of the MTREF are similar to the budgeted increases associated with bulk purchases.

34. The net profit on the sale of electricity is an important revenue source for metros. This profit margin has been under significant pressure due to the rapid increase in the bulk price of electricity resulting in affordability challenges. Municipalities are experiencing a two-fold impact of the high bulk electricity increases; lower sale levels owing to changes in consumption patterns and increased bad debt as a result of affordability pressures.

Table 11: Bulk purchase expenditure for metros for functions, 2014/15 - 2017/18

	Electricity				*Water*			
R thousand	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Buffalo City	1 029 452	1 190 815	1 360 388	1 554 107	172 404	186 196	201 092	217 179
Cape Town	6 678 300	7 597 800	8 661 492	9 874 101	371 711	369 736	390 072	411 136
Ekurhuleni Metro	7 623 482	8 709 055	9 928 323	11 318 288	2 153 920	2 548 725	2 803 598	3 055 922
eThekwini	6 973 528	7 969 552	8 980 888	10 120 563	1 546 732	1 791 213	1 952 422	2 128 140
City Of Johannesburg	9 124 840	10 599 183	11 280 870	12 060 367	2 011 818	2 328 106	2 516 809	2 754 544
Mangaung	1 350 000	1 277 841	1 410 056	1 523 438	394 580	450 573	473 428	497 894
Nelson Mandela Bay	2 294 035	2 638 068	3 032 166	3 470 959	92 948	104 101	116 593	130 585
City Of Tshwane	6 457 148	6 804 972	7 349 370	7 937 320	1 672 122	1 990 146	2 171 975	2 369 788
Total expenditure	**41 530 785**	**46 787 286**	**52 003 552**	**57 859 142**	**8 416 235**	**9 768 795**	**10 625 989**	**11 565 186**

Source: National Treasury Local Government Database

35. Expenditure on bulk water amounts to R9.8 billion in 2015/16 and increases by 8.8 per cent in 2016/17 to R10.6 billion and a further 8.8 per cent in 2017/18 to R11.6 billion.

Aggregated operating and capital budget for secondary cities

36. Tables 12 and 13 depict the aggregated budgeted revenue and expenditure for the secondary cities (top 19 municipalities) over the 2015/16 MTREF period.

37. The total budgeted revenue for secondary cities amounts to R47.2 billion in 2015/16 and increases to R54.4 billion by 2017/18.

38. The total expenditure budget of secondary cities amounts to R50.6 billion in 2015/16, R53.3 billion in 2016/17, and R56.7 billion in 2017/18 representing a growth of 5.2 per cent and 6.5 per cent in the two outer years of the MTREF, therefore one can conclude that they are budgeting for a deficit.

39. The growth in operating expenditure is expected to increase by 7.3 per cent in 2016/17 and by 8.3 per cent in 2017/18. Although municipalities are attempting to buffer the impact of the economic downturn through identifying operational expenditure efficiencies, these increases seem low when considering the cost drivers applicable to local government such as remuneration, bulk and material purchases.

40. Spending on capital by secondary cities over the MTREF is decreasing over the MTREF from R7.1 billion in 2015/16 to 6.2 billion in 2017/18. This could be an indication that insufficient provision has been made for the eradication of backlogs and that own funding of the capital program from operational surpluses is not available.

Table 12: Aggregated Operating and Capital revenue for secondary cities, 2014/15 - 2017/18

	2014/15			2015/16			2016/17			2017/18		
R thousand	**Capital**	**Operating[1]**	**Total**	**Capital**	**Operating[1]**	**Total**	**Capital**	**Operating[1]**	**Total**	**Capital**	**Operating[1]**	**Total**
Top 19 Municipalities	**6 670 165**	**38 200 672**	**44 870 837**	**7 144 286**	**42 601 306**	**49 745 592**	**6 607 521**	**46 066 054**	**52 673 574**	**6 182 911**	**50 261 784**	**56 444 695**
Matjhabeng	156 246	1 797 826	**1 954 072**	146 450	1 952 721	**2 099 171**	121 784	2 071 385	**2 193 169**	129 476	2 148 849	**2 278 325**
Emfuleni	408 425	4 708 536	**5 116 961**	533 881	5 354 653	**5 888 534**	697 561	5 709 292	**6 406 853**	636 750	6 401 448	**7 038 198**
Mogale City	483 996	2 001 308	**2 485 304**	293 360	2 249 521	**2 542 881**	201 969	2 411 831	**2 613 800**	216 353	2 653 715	**2 870 068**
Msunduzi	597 754	3 570 334	**4 168 088**	709 060	4 036 592	**4 745 652**	636 372	4 370 804	**5 007 176**	600 820	4 750 280	**5 351 100**
Newcastle	444 229	1 526 362	**1 970 591**	400 509	1 580 961	**1 981 471**	344 555	1 703 807	**2 048 362**	211 100	1 856 885	**2 067 985**
uMhlathuze	419 862	2 370 559	**2 790 421**	448 781	2 524 301	**2 973 082**	290 572	2 701 497	**2 992 069**	300 384	2 915 368	**3 215 752**
Polokwane	518 749	2 228 099	**2 746 848**	580 121	2 404 463	**2 984 584**	595 848	2 528 683	**3 124 531**	637 696	2 751 342	**3 389 038**
Govan Mbeki	141 993	1 592 998	**1 734 991**	106 439	1 620 570	**1 727 009**	68 249	1 684 756	**1 753 005**	76 548	1 778 921	**1 855 469**
Emalahleni (Mp)	159 916	1 921 545	**2 081 461**	203 042	2 626 610	**2 829 652**	208 852	2 907 398	**3 116 250**	166 613	3 218 225	**3 384 838**
Steve Tshwete	187 899	1 303 203	**1 491 103**	236 369	1 362 931	**1 599 300**	245 005	1 485 551	**1 730 557**	227 291	1 620 550	**1 847 841**
Mbombela	522 517	1 728 151	**2 250 669**	582 416	2 157 452	**2 739 868**	557 834	2 381 826	**2 939 660**	622 618	2 664 077	**3 286 695**
Sol Plaatje	131 183	1 648 409	**1 779 592**	111 709	1 749 221	**1 860 929**	101 620	1 867 087	**1 968 707**	84 646	1 996 471	**2 081 117**
Madibeng	265 678	1 394 012	**1 659 690**	292 461	1 512 326	**1 804 787**	284 226	1 623 581	**1 907 807**	297 362	1 773 104	**2 070 466**
Rustenburg	1 085 040	3 599 712	**4 684 752**	1 063 748	3 575 490	**4 639 239**	528 388	4 109 017	**4 637 405**	462 270	4 450 107	**4 912 377**
Tlokwe	200 569	1 068 722	**1 269 291**	224 077	1 085 209	**1 309 285**	246 019	1 182 052	**1 428 071**	261 957	1 272 610	**1 534 567**
City Of Matlosana	114 856	2 015 105	**2 129 961**	138 927	2 380 228	**2 519 156**	137 528	2 557 715	**2 695 243**	143 413	2 780 658	**2 924 071**
Drakenstein	284 821	1 511 798	**1 796 620**	375 837	1 828 026	**2 203 864**	595 001	2 041 535	**2 636 535**	564 861	2 287 113	**2 851 974**
Stellenbosch	294 188	1 056 998	**1 351 186**	452 759	1 219 309	**1 672 068**	419 649	1 300 728	**1 720 377**	210 789	1 433 254	**1 644 043**
George	252 243	1 156 995	**1 409 238**	244 338	1 380 722	**1 625 060**	326 489	1 427 508	**1 753 996**	331 964	1 508 807	**1 840 771**
Less												
External loans / borrowing	1 548 053	-	**1 548 053**	1 202 784	-	**1 202 784**	1 073 843	-	**1 073 843**	870 603	-	**870 603**
Internally generated funds	1 215 374	-	**1 215 374**	1 341 163	-	**1 341 163**	1 376 281	-	**1 376 281**	1 205 192	-	**1 205 192**
Total revenue	**3 906 737**	**38 200 672**	**42 107 409**	**4 600 339**	**42 601 306**	**47 201 645**	**4 157 396**	**46 066 054**	**50 223 450**	**4 107 116**	**50 261 784**	**54 368 900**

[1] *Operating revenue excluding capital transfers*

Source: National Treasury Local Government Database

Table 13: Aggregated Operating and Capital expenditure for secondary cities, 2014/15 - 2017/18

	2014/15			2015/16			2016/17			2017/18		
R thousand	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**	**Capital**	**Operating**	**Total**
Top 19 Municipalities	**6 670 165**	**39 689 689**	**46 359 854**	**7 144 286**	**43 495 895**	**50 640 181**	**6 607 521**	**46 672 412**	**53 279 933**	**6 182 911**	**50 538 654**	**56 721 565**
Matjhabeng	156 246	1 954 072	**2 110 318**	146 450	2 068 071	**2 214 521**	121 784	2 295 830	**2 417 614**	129 476	2 424 396	**2 553 872**
Emfuleni	408 425	4 566 121	**4 974 546**	533 881	5 222 359	**5 756 240**	697 561	5 450 662	**6 148 223**	636 750	6 137 798	**6 774 548**
Mogale City	483 996	2 370 408	**2 854 404**	293 360	2 593 075	**2 886 435**	201 969	2 759 393	**2 961 362**	216 353	2 982 369	**3 198 722**
Msunduzi	597 754	3 500 014	**4 097 768**	709 060	4 033 134	**4 742 194**	636 372	4 365 303	**5 001 675**	600 820	4 741 591	**5 342 411**
Newcastle	444 229	1 858 469	**2 302 698**	400 509	1 834 688	**2 235 197**	344 555	2 006 712	**2 351 267**	211 100	2 161 148	**2 372 248**
uMhlathuze	419 862	2 363 247	**2 783 109**	448 781	2 519 364	**2 968 144**	290 572	2 695 830	**2 986 402**	300 384	2 909 844	**3 210 228**
Polokwane	518 749	2 145 711	**2 664 460**	580 121	2 288 560	**2 868 681**	595 848	2 358 123	**2 953 971**	637 696	2 476 909	**3 114 605**
Govan Mbeki	141 993	1 833 009	**1 975 002**	106 439	1 605 178	**1 711 617**	68 249	1 726 658	**1 794 907**	76 548	1 864 646	**1 941 194**
Emalahleni (Mp)	159 916	1 921 544	**2 081 461**	203 042	2 381 789	**2 584 832**	208 852	2 422 078	**2 630 931**	166 613	2 613 660	**2 780 272**
Steve Tshwete	187 899	1 352 386	**1 540 285**	236 369	1 402 830	**1 639 199**	245 005	1 519 332	**1 764 337**	227 291	1 644 377	**1 871 668**
Mbombela	522 517	1 918 454	**2 440 971**	582 416	2 181 545	**2 763 961**	557 834	2 369 218	**2 927 052**	622 618	2 584 301	**3 206 919**
Sol Plaatje	131 183	1 632 584	**1 763 766**	111 709	1 738 342	**1 850 050**	101 620	1 858 882	**1 960 502**	84 646	1 988 228	**2 072 874**
Madibeng	265 678	1 393 932	**1 659 610**	292 461	1 512 169	**1 804 630**	284 226	1 623 189	**1 907 415**	297 362	1 772 365	**2 069 727**
Rustenburg	1 085 040	3 561 324	**4 646 364**	1 063 748	3 567 711	**4 631 459**	528 388	4 092 813	**4 621 201**	462 270	4 413 578	**4 875 848**
Tlokwe	200 569	1 301 809	**1 502 378**	224 077	1 185 132	**1 409 209**	246 019	1 272 439	**1 518 458**	261 957	1 352 242	**1 614 199**
City Of Matlosana	114 856	2 119 885	**2 234 741**	138 927	2 743 375	**2 882 303**	137 528	2 888 233	**3 025 761**	143 413	3 042 265	**3 185 678**
Drakenstein	284 821	1 559 514	**1 844 335**	375 837	1 907 865	**2 283 703**	595 001	2 126 676	**2 721 677**	564 861	2 361 626	**2 926 487**
Stellenbosch	294 188	1 121 212	**1 415 400**	452 759	1 274 227	**1 726 986**	419 649	1 378 925	**1 798 573**	210 789	1 526 052	**1 736 841**
George	252 243	1 215 996	**1 468 239**	244 338	1 436 481	**1 680 819**	326 489	1 462 117	**1 788 606**	331 964	1 541 258	**1 873 222**
Less												
Taxation	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Total revenue	**6 670 165**	**39 689 689**	**46 359 854**	**7 144 286**	**43 495 895**	**50 640 181**	**6 607 521**	**46 672 412**	**53 279 933**	**6 182 911**	**50 538 654**	**56 721 565**

Source: National Treasury Local Government Database

41. Secondary cities that have allocated the least of their aggregated budget to their capital budgets are Matjhabeng, Sol Plaatje, Emfuleni, Emalahleni (MP), Govan Mbeki and City of Matlosana. All six municipalities have allocated less than 10 per cent of their budgets to capital projects. When compared to the 2014 MTREF, the number of municipalities with a low capital budget proportion has doubled from three to six.

42. Over the medium term, the total budgets of the secondary cities exhibit some stability with an average growth of 11.7 per cent over the outer years of the MTREF period.

Growth in Aggregated Operating and Capital Budgets compared to the 2014/15 Budgets

43. Table 14 below provides a comparison between the preliminary outcome for the 2014/15 financial year concluded on 30 June 2015 as published in the Section 71 Quarter 4 publication which was released on 25 August 2015, the adopted budget for the 2015/16 financial year and the average growth in municipal budgets over the 2015/16 MTREF period.

Table 14: Growth in municipal budgets compared to S71 Preliminary Outcome for 2014/15

	2014/15			2015/16	2016/17	2017/18	%Growth rates: Estimated actual (Nominal)	
R thousands	Adopted Budget	Revised Budget	Preliminary outcome	Medium term estimates			2014/15-2015/16	2014/15-2017/18
Operating Revenue [1]								
Property rates	44 896 421	44 738 714	46 061 366	47 921 735	51 480 286	55 370 782	*4.0%*	*6.3%*
Service charges	141 652 526	141 329 292	134 824 638	157 725 950	172 617 316	189 260 944	*17.0%*	*12.0%*
Other own revenue	86 586 661	91 028 474	85 509 607	98 606 377	101 094 379	106 335 412	*15.3%*	*7.5%*
Total Revenue	**273 135 608**	**277 096 480**	**266 395 611**	**304 254 061**	**325 191 981**	**350 967 138**	***14.2%***	***9.6%***
Operating Expenditure								
Employee related costs	75 276 614	75 601 874	71 758 585	83 059 517	88 606 757	94 580 541	*15.7%*	*9.6%*
Bad and doubtful debt	11 540 212	14 162 415	9 747 949	15 150 269	16 437 092	17 331 503	*55.4%*	*21.1%*
Bulk purchases	77 618 086	77 858 291	74 195 779	88 798 027	97 950 697	108 286 531	*19.7%*	*13.4%*
Other expenditure	109 874 972	113 992 106	96 819 557	119 632 038	124 294 284	132 150 355	*23.6%*	*10.9%*
Total Expenditure	**274 309 884**	**281 614 687**	**252 521 870**	**306 639 851**	**327 288 829**	**352 348 931**	***21.4%***	***11.7%***
Operating Surplus/(Deficit)	***(1 174 276)***	***(4 518 207)***	***13 873 742***	***(2 385 789)***	***(2 096 848)***	***(1 381 793)***	***(117.2%)***	***(146.4%)***
Capital Funding								
External loans	12 022 850	11 958 675	9 346 488	12 121 271	11 303 617	11 251 335	*29.7%*	*6.4%*
Internal contributions	9 805 506	10 320 234	8 102 075	9 214 327	10 148 173	8 840 518	*13.7%*	*3.0%*
Transfers and subsidies	35 463 691	38 916 099	32 661 752	39 678 480	39 917 012	40 273 712	*21.5%*	*7.2%*
Other	5 246 483	4 521 981	3 120 078	5 858 140	4 513 655	4 248 002	*87.8%*	*10.8%*
Total funding	**62 538 530**	**65 716 990**	**53 230 393**	**66 872 219**	**65 882 457**	**64 613 567**	***25.6%***	***6.7%***
Capital Expenditure								
Water	18 571 866	19 451 156	15 372 238	20 125 595	21 020 335	20 755 099	*30.9%*	*10.5%*
Electricity	8 128 516	8 052 928	6 509 856	8 234 453	8 285 405	8 118 961	*26.5%*	*7.6%*
Housing	785 770	1 109 269	1 183 290	1 685 705	1 503 122	1 446 032	*42.5%*	*6.9%*
Roads, pavements, bridges and storm water	13 159 450	14 367 631	11 206 146	13 586 071	13 253 291	12 774 231	*21.2%*	*4.5%*
Other	21 892 929	22 736 006	18 969 230	23 240 394	21 820 304	21 519 244	*22.5%*	*4.3%*
Total expenditure	**62 538 530**	**65 716 990**	**53 240 759**	**66 872 219**	**65 882 457**	**64 613 567**	***25.6%***	***6.7%***

[1] Excluding capital transfers and contributions

Source: National Treasury Local Government Database

44. As seen in the above table, operating expenditure increases in total by 21.4 per cent between the preliminary outcome for 2014/15 and the MTREF budget for 2015/16 compared to operating revenue of 14.2 per cent. Increasing operating expenditure at a rate higher than revenue is a concern and is considered unsustainable.

45. Compared to the preliminary outcomes of 2014/15, an increase of 15.7 per cent is expected for salaries, wages and allowances and 19.7 per cent in respect of bulk purchases. Increases in bulk purchases are largely attributed to the significant increase in the price of bulk electricity. The high increases associated with remuneration related expenditure is an area that municipalities will have to address by identifying cost efficiencies in areas such as overtime and travelling allowances.

46. Bad and doubtful debt is expected to increase by 55.4 per cent which is 18.6 per cent higher than the 36.8 per cent increase in the 2014/15 MTREF. This is extremely concerning as municipalities are providing for higher levels of default debtors raising questions around the efficiency of the management of the entire revenue value chain and the affordability of service charges.

47. The increase in debt impairment suggests that municipalities are expecting to collect less revenue and bad debt is subsequently expected to grow. The fiscal effort of municipalities in collecting outstanding revenue will need to be carefully monitored and managed going forward.

48. The significant increase in doubtful debt further raises questions over the credibility of the appropriated internal funding of the capital budget. While municipalities have provided for the revenue through billings on the operating statement of financial performance there appears to be a high probability that the billings will not be collected as planned directly implying that the funding will not be available to fund the capital budget.

49. There is an average increase of 11.7 per cent over the last two years of the MTREF in the total operating expenditure with the highest increase of 21.1 per cent noted in respect of bad and doubtful debt (debt impairment). This reflects the difficulty associated with the current economic climate and the increasing inability of consumers to pay for services. This percentage could however be slightly distorted owing to inaccurate budgeting; this is illustrated in the actual preliminary outcome of 2014/15 of R9.7billion compared to the original for the same year of R11.5 billion, a difference of R1.8 billion; it is suspected that the budget appropriation for 2014/15 is overstated and subsequently distorting the percentage growth.

50. Provisions in respect of bulk purchases are also expected to increase significantly by 13.4 per cent over the MTREF period owing primarily to the increases associated with bulk electricity purchases.

51. In respect of operating revenue items, the increase in service charges shows the most notable growth at 12 per cent over the MTREF largely due to the increases in the electricity tariffs.

52. Capital budgets grow significantly by 25.6 per cent in 2015/16 although this is 4.9 per cent less than the 30.5 per cent growth in 2014/15. Given the persistent trends in under-spending of capital implementation, capital projects will have to be properly and effectively managed to ensure implementation as planned. The increase of 13.7 per cent in internal contributions for the funding of the capital budget indicates the municipalities are more realistic in the estimation of operation surpluses to fund their capital programs. Of concern however is the growth in "Other" funding which is 87.8 per cent. It is expected that this may be miss classification of funds but could also be as a result of our grouping of a number of items to articulate the rest of the spending items.

53. Grants and subsidies show an increase of 21.5 per cent when compared to the preliminary outcomes for 2014/15. Given the net operating deficit for 2015/16 and significant increase in the provision of doubtful debt, it seems highly unlikely that the municipalities will be able to fund their capital projects from internally generated funding as planned.

54. Over the MTREF period the average growth is decreasing to an estimated 6.7 per cent, which may indicate a lack of multi-year capital project planning.

Changes to Baseline

55. Table 15 below highlights the extent to which municipalities have allocated additional resources in the 2015/16 MTREF and demonstrates at an aggregate level how municipalities have actually reprioritised items within their budgets. The table also compares the changes to the baseline against the 2015/16 forward estimates.

Table 15: Changes to baseline for 2014 MTREF

	2015/16			2016/17			2017/18	% change to baseline		% share of total change to baseline	
R thousands	2014/15 Medium term estimates	2015/16 Draft Medium term estimates	Changes to baseline	2014/15 Medium term estimates	2015/16 Draft Medium term estimates	Changes to baseline	*2015/16 Draft Medium term estimates*	2015/16	2016/17	2015/16	2016/17
Operating Revenue [1]											
Property rates	47 941 885	47 921 735	(20 150)	51 363 706	51 480 286	116 580	55 370 782	*(0.0%)*	*0.2%*	*(0.3%)*	*2.6%*
Service charges	152 485 522	157 725 950	5 240 428	164 228 390	172 617 316	8 388 926	189 260 944	*3.4%*	*5.1%*	*71.1%*	*185.5%*
Other own revenue	91 236 726	98 606 377	7 369 651	96 572 110	101 094 379	4 522 269	106 335 412	*8.1%*	*4.7%*	*100.0%*	*100.0%*
Total Revenue	**291 664 132**	**304 254 061**	**12 589 929**	**312 164 206**	**325 191 981**	**13 027 775**	**350 967 138**	***4.3%***	***4.2%***	***170.8%***	***288.1%***
Operating Expenditure											
Employee related costs	80 005 245	83 059 517	3 054 272	85 361 503	88 606 757	3 245 254	94 580 541	*3.8%*	*3.8%*	*19.4%*	*20.3%*
Bad and doubtful debt	12 103 364	15 150 269	3 046 905	13 244 471	16 437 092	3 192 622	17 331 503	*25.2%*	*24.1%*	*19.3%*	*20.0%*
Bulk purchases	83 212 146	88 798 027	5 585 881	89 341 621	97 950 697	8 609 075	108 286 531	*6.7%*	*9.6%*	*35.5%*	*54.0%*
Other expenditure	115 570 647	119 632 038	4 061 392	123 390 348	124 294 284	903 936	132 150 355	*3.5%*	*0.7%*	*25.8%*	*5.7%*
Total Expenditure	**290 891 401**	**306 639 851**	**15 748 450**	**311 337 943**	**327 288 829**	**15 950 886**	**352 348 931**	***5.4%***	***5.1%***	***100.0%***	***100.0%***
Operating Surplus/(Deficit)	***772 731***	***(2 385 789)***	***(3 158 520)***	***826 263***	***(2 096 848)***	***(2 923 111)***	***(1 381 793)***				
Capital Funding											
External loans	11 691 265	12 121 271	430 006	9 856 494	11 303 617	1 447 123	11 251 335	*3.7%*	*14.7%*	*27.8%*	*58.7%*
Internal contributions	10 127 671	9 214 327	(913 344)	10 228 334	10 148 173	(80 161)	8 840 518	*(9.0%)*	*(0.8%)*	*(59.0%)*	*(3.3%)*
Transfers and subsidies	38 860 157	39 678 480	818 322	38 749 395	39 917 012	1 167 617	40 273 712	*2.1%*	*3.0%*	*52.9%*	*47.3%*
Other	4 645 614	5 858 140	1 212 526	4 581 774	4 513 655	(68 119)	4 248 002	*26.1%*	*(1.5%)*	*78.4%*	*(2.8%)*
Total funding	**65 324 707**	**66 872 219**	**1 547 511**	**63 415 998**	**65 882 457**	**2 466 459**	**64 613 567**	***2.4%***	***3.9%***	***100.0%***	***100.0%***
Capital Expenditure											
Water	21 161 212	20 125 595	(1 035 618)	20 440 323	21 020 335	580 013	20 755 099	*(4.9%)*	*2.8%*	*(66.9%)*	*23.5%*
Electricity	9 203 074	8 234 453	(968 620)	8 315 513	8 285 405	(30 108)	8 118 961	*(10.5%)*	*(0.4%)*	*(62.6%)*	*(1.2%)*
Housing	809 422	1 685 705	876 283	855 165	1 503 122	647 956	1 446 032	*108.3%*	*75.8%*	*56.6%*	*26.3%*
Roads, pavements, bridges and storm water	14 668 546	13 586 071	(1 082 474)	14 698 337	13 253 291	(1 445 046)	12 774 231	*(7.4%)*	*(9.8%)*	*(69.9%)*	*(58.6%)*
Other	19 482 454	23 240 394	3 757 940	19 106 659	21 820 304	2 713 645	21 519 244	*19.3%*	*14.2%*	*242.8%*	*110.0%*
Total expenditure	**65 324 707**	**66 872 219**	**1 547 511**	**63 415 998**	**65 882 457**	**2 466 459**	**64 613 567**	***2.4%***	***3.9%***	***100.0%***	***100.0%***

[1] Excluding capital transfers and contributions

Source: National Treasury Local Government Database

56. Compared to the 2014/15 MTREF forecast, budgeted operating revenue for 2015/16 has increased by R12.6 billion and operating expenditure by R15.7 billion. An additional R1.5 billion was allocated to capital expenditure in the 2015/16 financial year.

57. For the 2016/17 financial year, the operating revenue will increase by R13 billion and operating expenditure increase by R16 billion. An additional R2.5 billion will be set aside for capital expenditure.

58. Against operating expenditure, bulk purchases can be observed as having an increase of 6.7 per cent to baseline in the 2015/16 financial year and a 9.6 per cent increase in the 2017/18 year. This is concerning as the bulk purchase cost of electricity and water are expected to increase by 12.2 per cent. It may also indicate that the municipalities are expecting to sell less water and electricity as consumers are tightening their belts.

59. The largest change to baseline in respect of operating revenue for the 2014/15 financial year can be observed in the category “Other own revenue” where an increase of 8.1 per cent is anticipated.

60. The capital expenditure baseline in the 2015/16 financial year is related to an anticipated increase of 2.4 per cent. There is a massive increase of 108.3 per cent in the capital expenditure for Housing. This is largely as a result of increased infrastructure spending in metropolitan and secondary cities related to land and serviced sites associated with provincial housing development and projects.

61. From a funding perspective, the increased capital expenditure will be supported by an increase in “Other” funding of 26.1 per cent. The internal contributions have dropped by 9 per cent and correspond with the deficit budgets over the 2015/16 MTREF.

Figure 1:Aggregated budgeted expenditure per category, 2015/16 - 2017/18

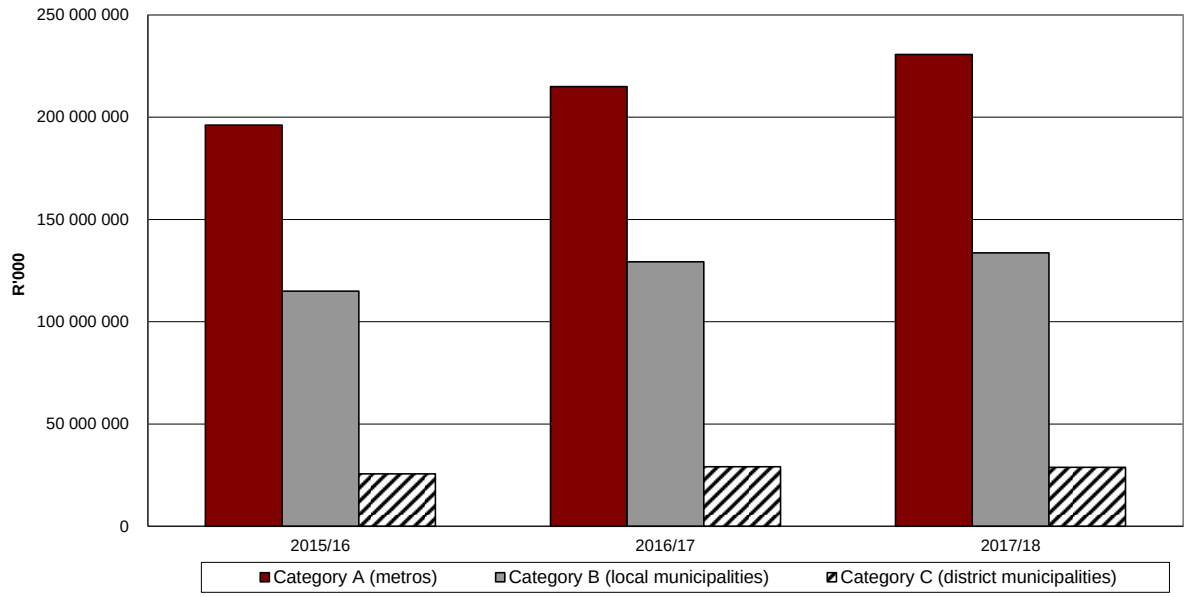
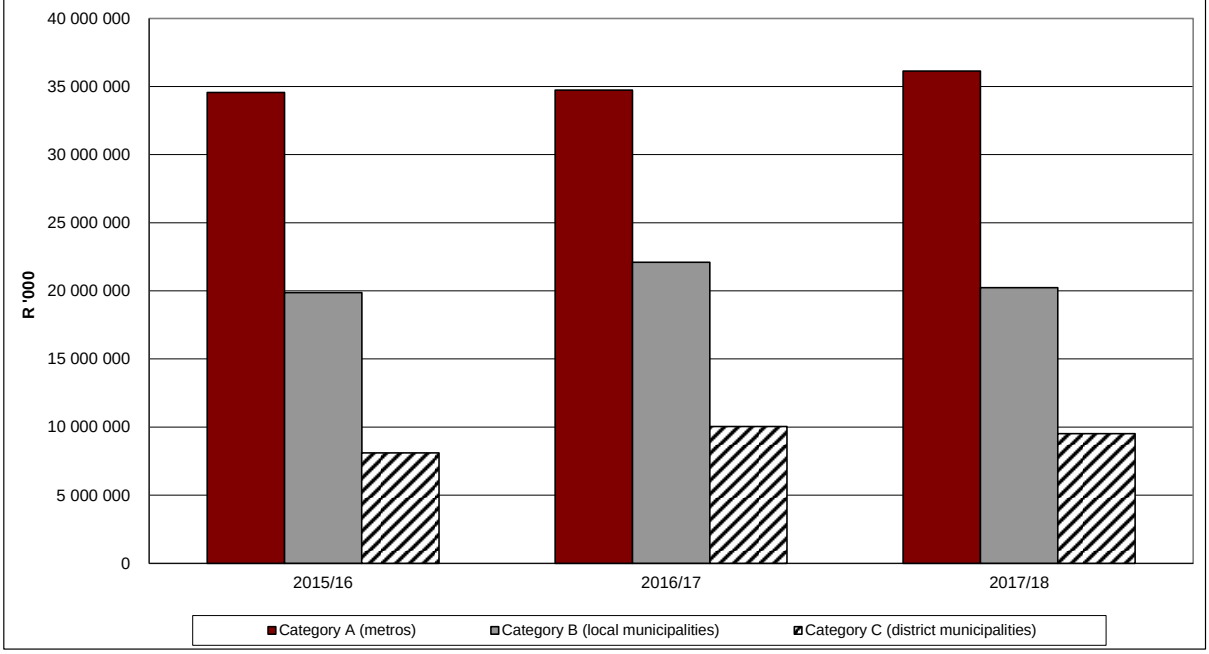


Figure 1.1: Budgeted capital expenditure per category, 2015/16 - 2017/18



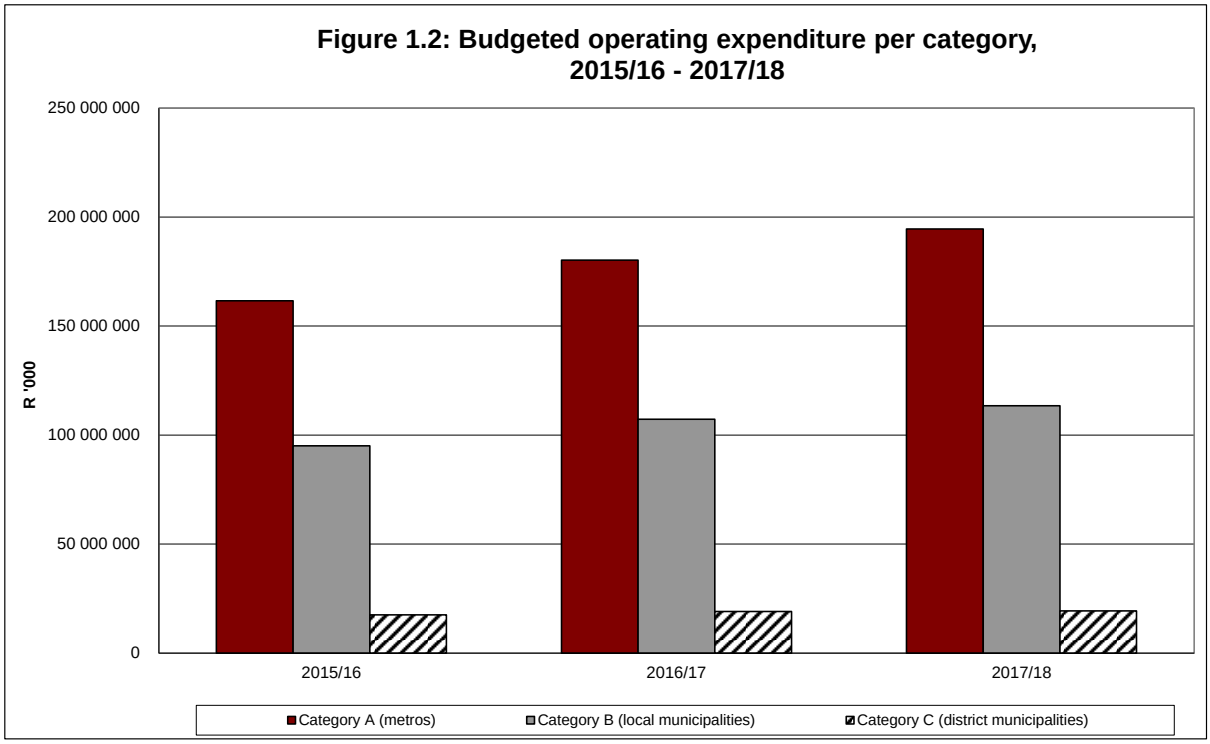


Figure 1.2: Budgeted operating expenditure per category, 2015/16 - 2017/18
250 000 000
200 000 000
150 000 000
100 000 000
50 000 000
0
R '000
2015/16
2016/17
2017/18
Category A (metros)
Category B (local municipalities)
Category C (district municipalities)

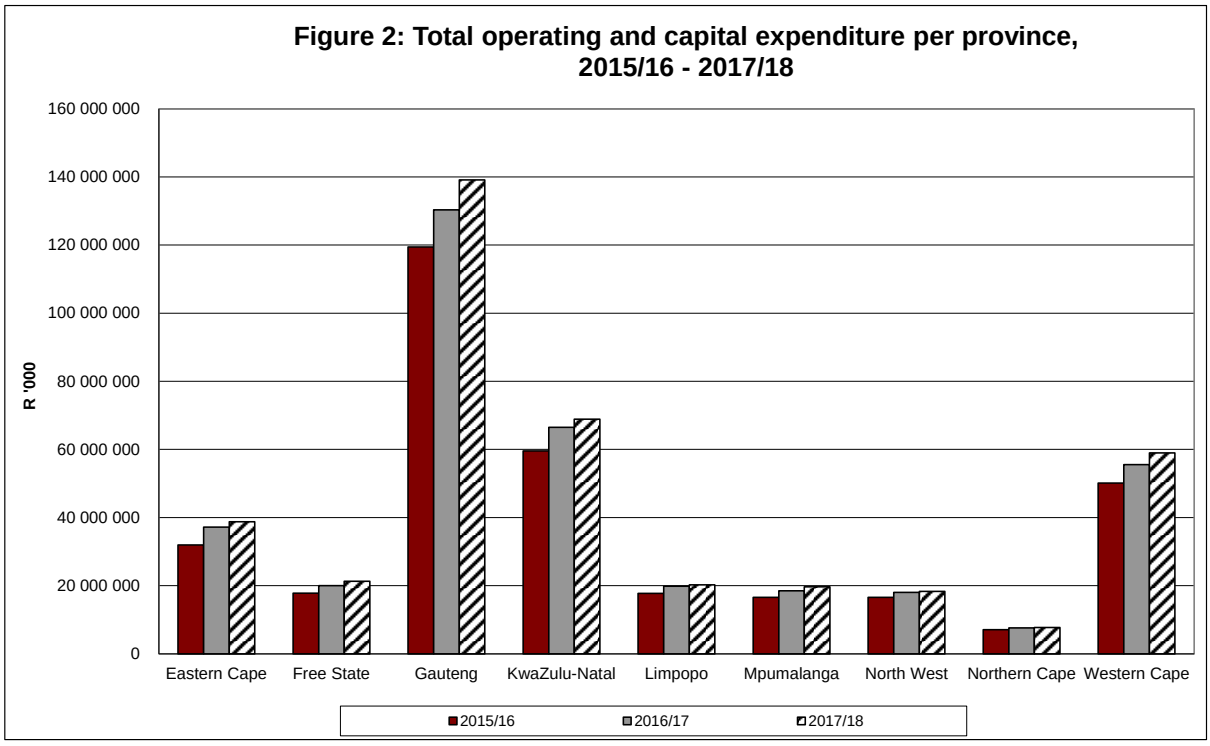


Figure 2: Total operating and capital expenditure per province, 2015/16 - 2017/18
160 000 000
140 000 000
120 000 000
100 000 000
80 000 000
60 000 000
40 000 000
20 000 000
0
R '000
Eastern Cape
Free State
Gauteng
KwaZulu-Natal
Limpopo
Mpumalanga
North West
Northern Cape
Western Cape
2015/16
2016/17
2017/18

Figure 2.1: Budgeted capital expenditure per province, 2015/16 - 2017/18

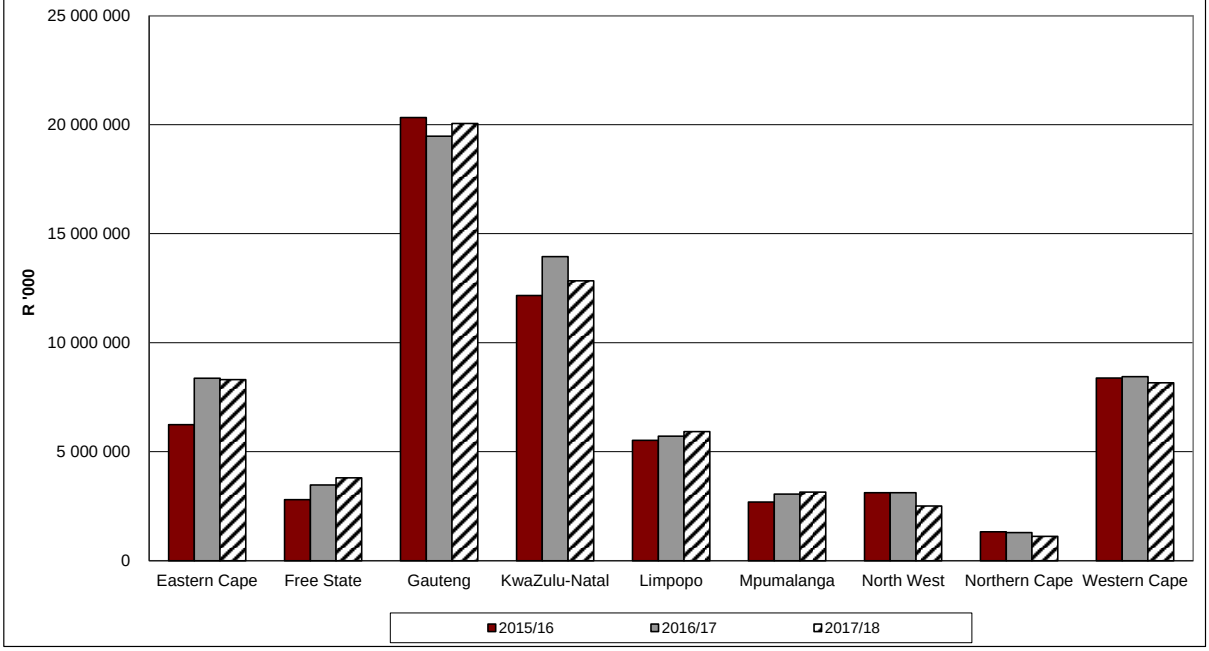
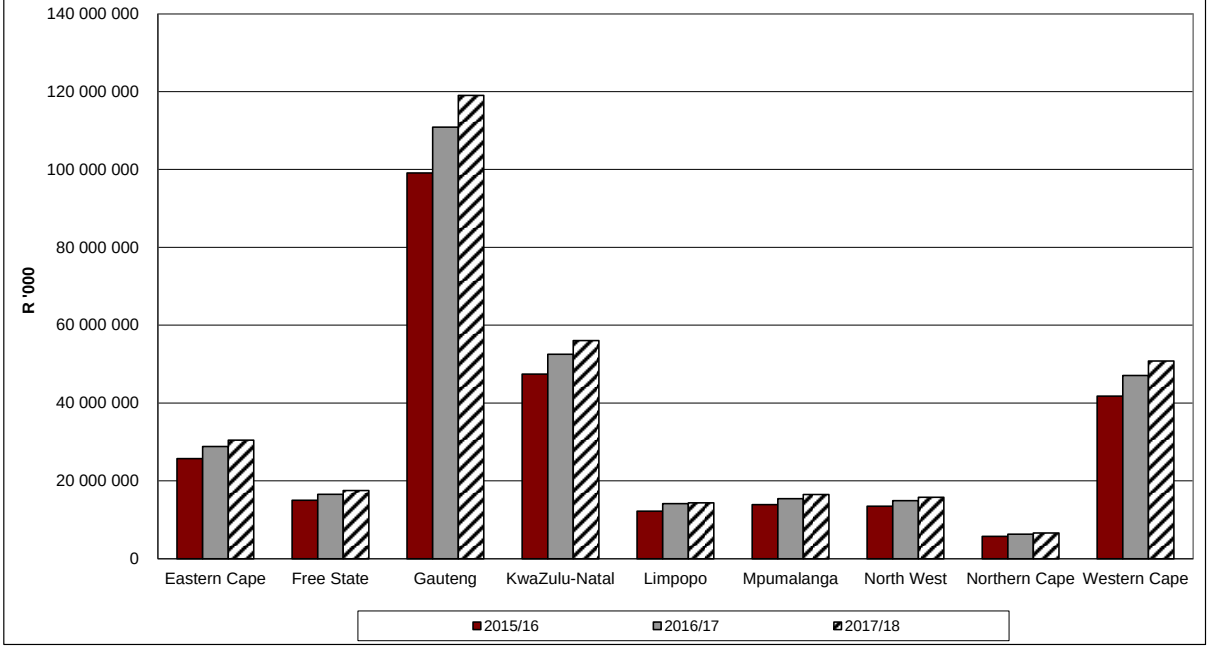


Figure 2.2: Budgeted operating expenditure per province, 2015/16 - 2017/18



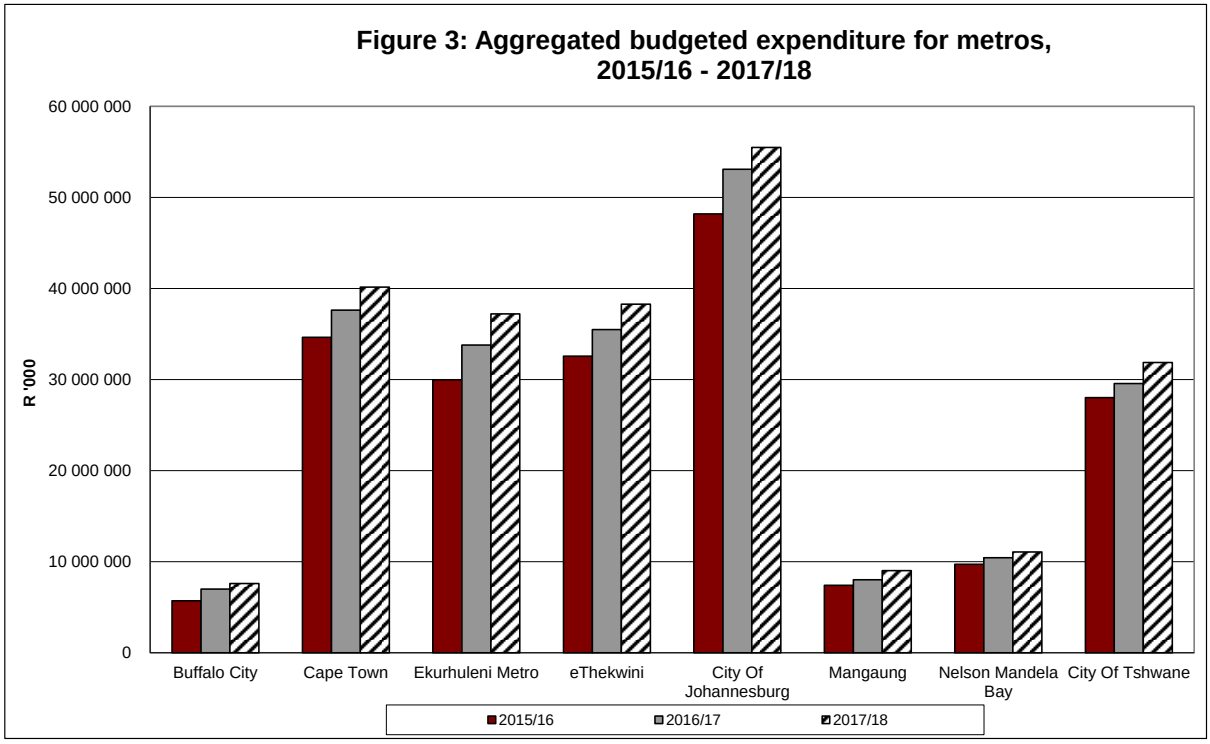


Figure 3: Aggregated budgeted expenditure for metros, 2015/16 - 2017/18
60 000 000
50 000 000
40 000 000
30 000 000
20 000 000
10 000 000
0
R '000
Buffalo City
Cape Town
Ekurhuleni Metro
eThekwini
City Of Johannesburg
Mangaung
Nelson Mandela Bay
City Of Tshwane
2015/16
2016/17
2017/18

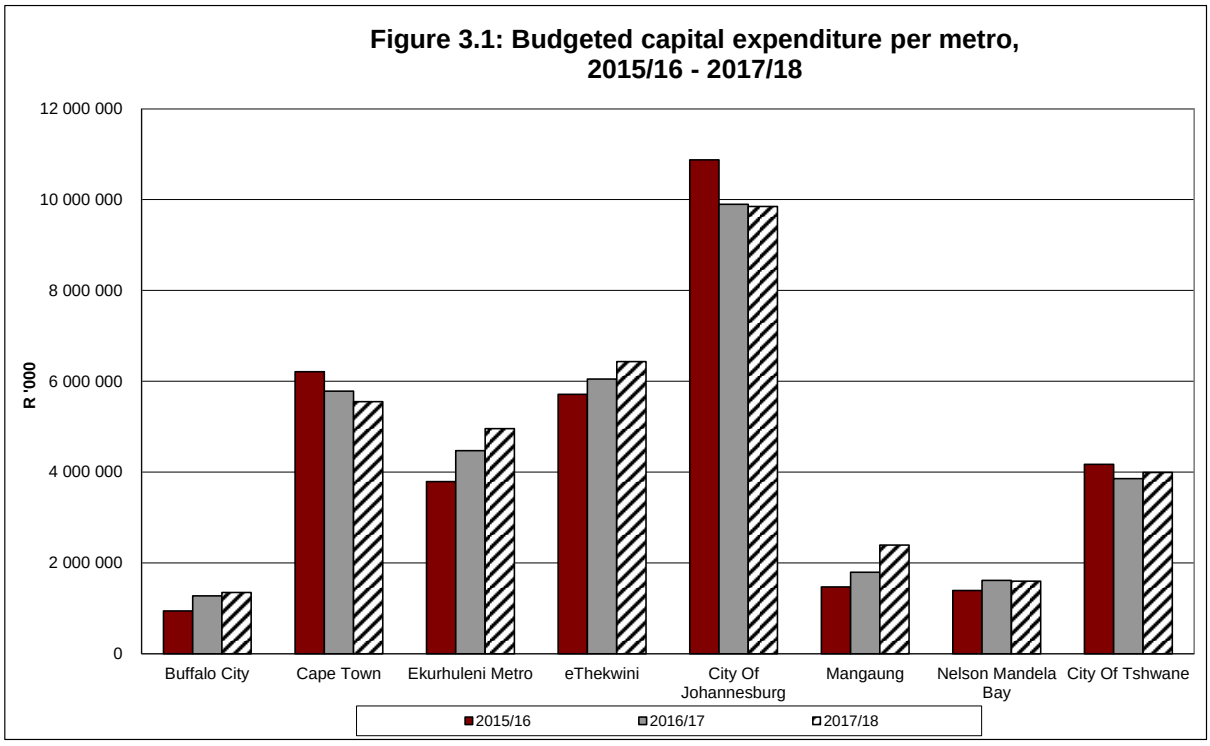


Figure 3.1: Budgeted capital expenditure per metro, 2015/16 - 2017/18
12 000 000
10 000 000
8 000 000
6 000 000
4 000 000
2 000 000
0
R '000
Buffalo City
Cape Town
Ekurhuleni Metro
eThekwini
City Of Johannesburg
Mangaung
Nelson Mandela Bay
City Of Tshwane
2015/16
2016/17
2017/18

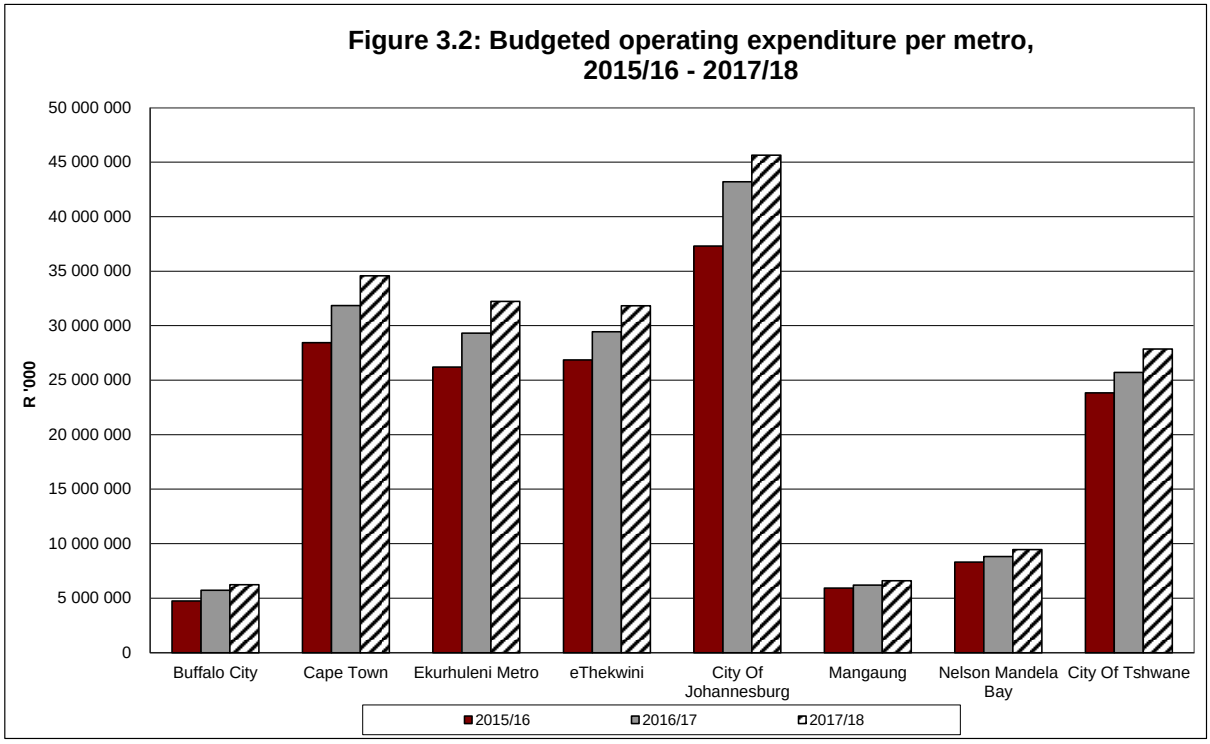
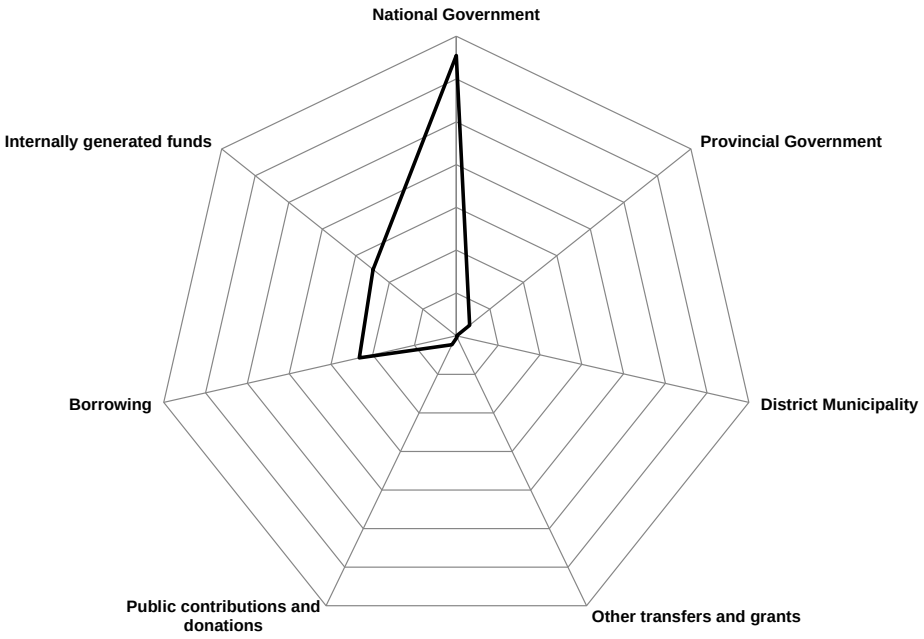
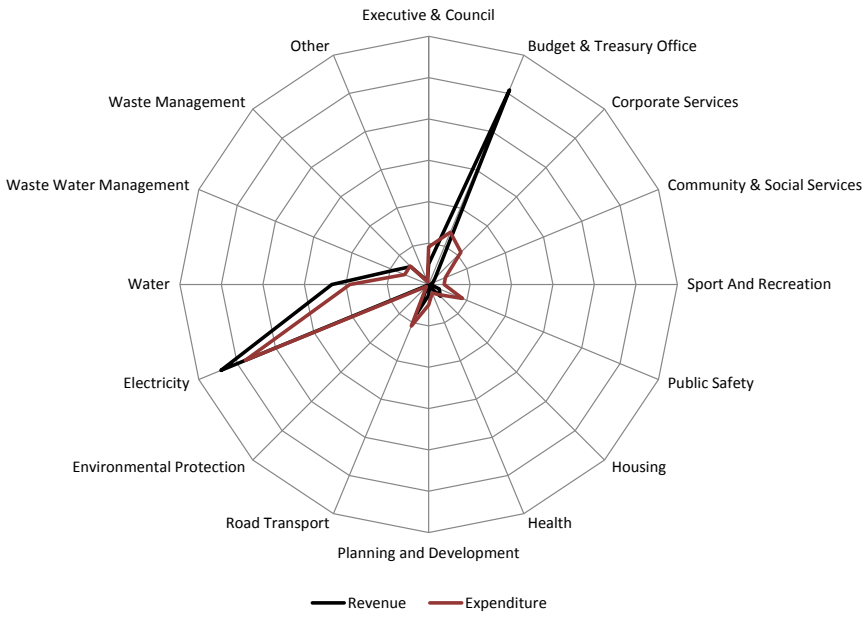


Figure 3.2: Budgeted operating expenditure per metro, 2015/16 - 2017/18
R '000
50 000 000
45 000 000
40 000 000
35 000 000
30 000 000
25 000 000
20 000 000
15 000 000
10 000 000
5 000 000
0
Buffalo City
Cape Town
Ekurhuleni Metro
eThekwini
City Of Johannesburg
Mangaung
Nelson Mandela Bay
City Of Tshwane
2015/16
2016/17
2017/18

Capital funding contributions, 2015/16

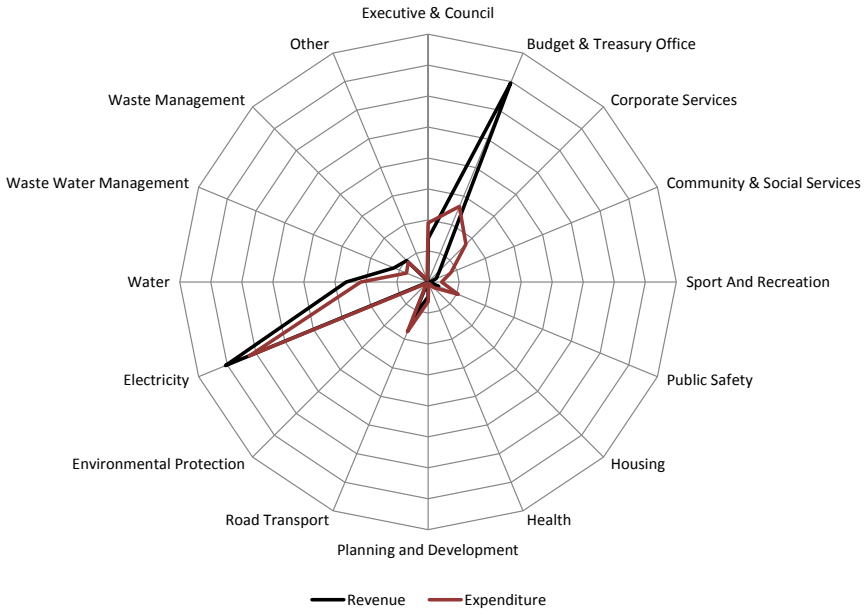


Aggregated operating revenue and expenditure by standard classification, 2015/16



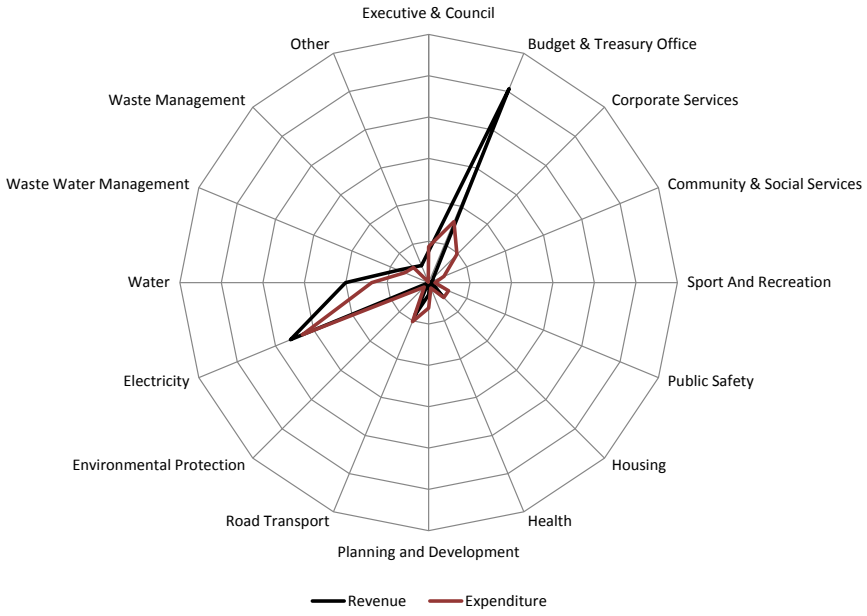
Category A operating revenue and expenditure by standard classification, 2015/16

Category B operating revenue and expenditure by standard classification, 2015/16

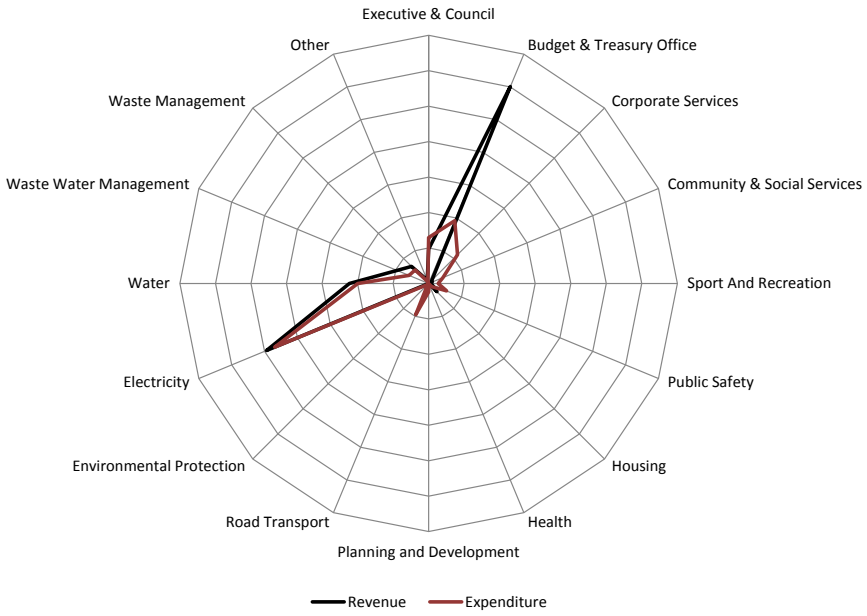


Category C operating revenue and expenditure by standard classification, 2015/16

Eastern Cape operating revenue and expenditure by standard classification, 2015/16



Free State operating revenue and expenditure by standard classification, 2015/16



Gauteng operating revenue and expenditure by standard classification, 2015/16

KwaZulu-Natal operating revenue and expenditure by standard classification, 2015/16

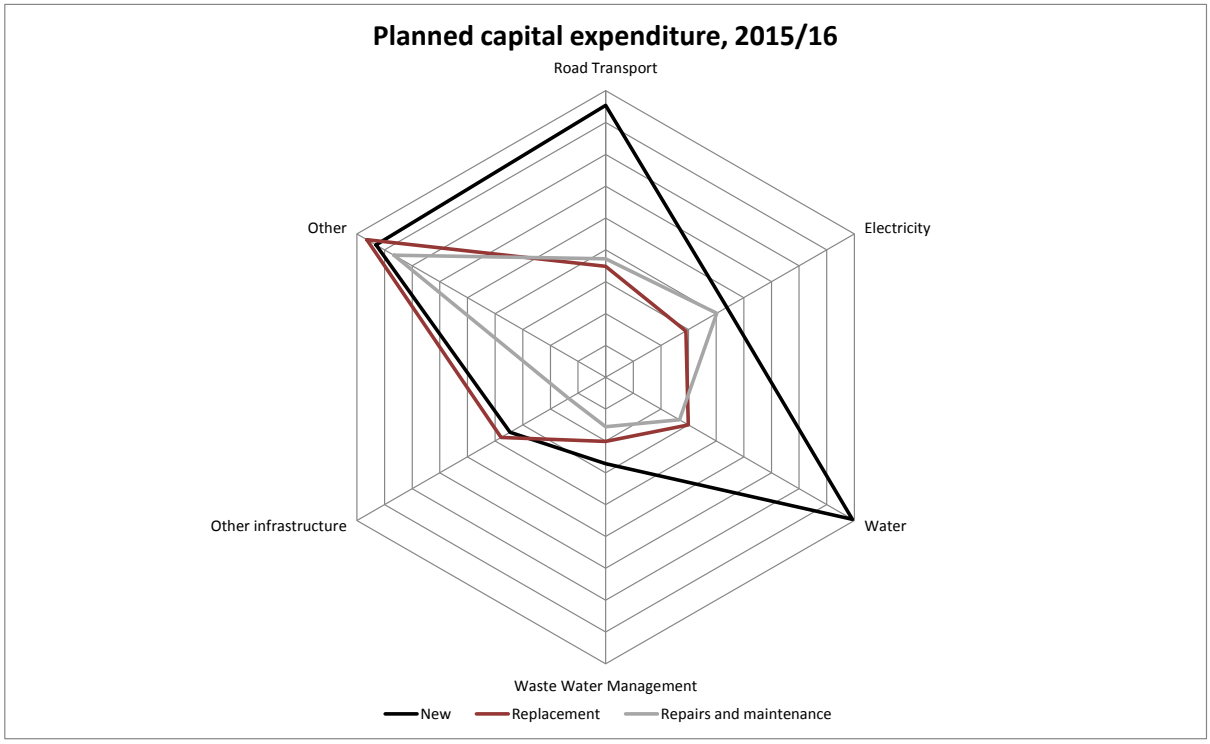
Limpopo operating revenue and expenditure by standard classification, 2015/16

Mpumalanga operating revenue and expenditure by standard classification, 2015/16

Northern Cape operating revenue and expenditure by standard classification, 2015/16

North West operating revenue and expenditure by standard classification, 2015/16

Western Cape operating revenue and expenditure by standard classification, 2015/16


Planned capital expenditure, 2015/16
Road Transport
Electricity
Water
Waste Water Management
Other infrastructure
Other
New
Replacement
Repairs and maintenance